Notice of meeting and agenda

Governance, Risk and Best Value Committee

10:00am, Tuesday, 16 January 2018

Dean of Guild Court Room, City Chambers, High Street, Edinburgh

This is a public meeting and members of the public are welcome to attend

Contact –

Gavin King, Corporate Governance Manager

Email: gavin.king@edinburgh.gov.uk

Tel: 0131 529 4239

Louise WIlliamson, Assistant Committee Clerk

Email: louise.p.williamson@edinburgh.gov.uk

Tel: 0131 529 4264

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1. Order of Business

1.1 Including any notices of motion and any other items of business submitted as urgent for consideration at the meeting.

2. Declarations of Interest

2.1 Members should declare any financial and non-financial interests they have in the items of business for consideration, identifying the relevant agenda item and the nature of their interest.

3. Deputations

3.1 If any

4. Minutes

4.1 Minute of the Governance, Risk and Best Value Committee of 28 November 2017 – submitted for approval as a correct record (circulated)

5. Outstanding Actions

5.1 Outstanding Actions – 16 January 2018 (circulated)

6. Work Programme

6.1 Governance, Risk and Best Value Work Programme – 16 January 2018 (circulated)

7. Reports

7.1 2016/17 Annual Audit Report and Review of Internal Controls: Progress Update – joint report by the Chief Executive and Executive Director of Resources (circulated)

7.2 Internal Audit Quarterly Update Report; Quarter 2 (1 July-30 September 2017) – report by the Chief Internal Auditor (circulated)

7.3 Edinburgh Health and Social Care Partnership – Update on Financial Position of City of Edinburgh Council Services - referral from the Finance and Resources Committee (circulated)

7.4 Accounts Commission: Local Government in Scotland - Financial Overview 2016/17 – report by the Executive Director of Resources (circulated)

7.5 Internal Audit: Overdue Recommendations and Late Management Responses: as at 26 October 2017 – report by the Chief Internal Auditor (circulated)

7.6 Corporate Leadership Team Risk Update – report by the Executive Director of Resources (circulated)

7.7 Status of the ICT Programme – report by the Executive Director of Resources (circulated)

8. Motions

8.1 None.

Laurence Rockey

Head of Strategy and Insight

Committee Members

Councillors Mowat (Convener), Main (Vice-Convener), Ian Campbell, Jim Campbell, Gordon, Lang, Munro, Rae, Ritchie, Watt and Webber.

Information about the Governance, Risk and Best Value Committee

The Governance, Risk and Best Value Committee consists of 11 Councillors appointed by the City of Edinburgh Council. The Governance, Risk and Best Value Committee usually meet every four weeks in the City Chambers, High Street in Edinburgh. There is a seated public gallery and the meeting is open to all members of the public.

Further information

If you have any questions about the agenda or meeting arrangements, please contact Gavin King, Committee Services, City of Edinburgh Council, Waverley Court, Business Centre 2.1, Edinburgh EH8 8BG, Tel 0131 529 4239, e-mail gavin.king@edinburgh.gov.uk

A copy of the agenda and papers for this meeting will be available for inspection prior to the meeting at the main reception office, City Chambers, High Street, Edinburgh.

The agenda, minutes and public reports for this meeting and all the main Council committees can be viewed online by going to www.edinburgh.gov.uk/cpol.

For remaining items of business likely to be considered in private, see separate agenda.

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Governance, Risk and Best Value Committee

10.00am, Tuesday, 28 November 2017

Present

Councillors Mowat (Convener), Main (Vice-Convener), Bird (substitute for Councillor Ritchie), Jim Campbell, Doggart (substitute for Councillor Webber), Gordon, Lang, Munro, Rae and Watt.

1. Minute

Decision

To approve the minute of the Governance, Risk and Best Value Committee of 31 October 2017 as a correct record.

2. Outstanding Actions

Details were provided of the outstanding actions arising from decisions taken by the Committee.

Decision

1) To agree to close Action 20 – Welfare Reform Update.

2) To note the remaining outstanding actions.

(Reference – Outstanding Actions – 28 November 2017, submitted.)

3. Work Programme

Decision

1) To request a further report by the Executive Director of Place, reviewing the process for the appointments of the Licensing Forum members.

2) To otherwise note the work programme.

(Reference – Governance, Risk and Best Value Committee Work Programme – 28 November 2017, submitted.)

4. Festival City Theatres Trust Company Performance Report 2016-17 – referral from the Culture and Communities Committee

The Culture and Communities Committee had referred a report on the annual performance report for the Festival City Theatres Trust covering the period 2016/17, to the Governance, Risk and Best Value Committee for scrutiny.

Duncan Hendry and Iain Ross from Festival City Theatres' Trust attended the meeting for this item.

Decision

To note the report by the Culture and Communities Committee.

(References – Culture and Communities Committee, 14 November 2017 (item 8); referral report from the Culture and Communities Committee, submitted.)

Declaration of Interest

Councillor Main declared a non-financial interest as a non-executive director of the Festival City Theatres' Trust and took no part in the Committee's consideration of tis item.

5. Council Companies – Edinburgh Leisure Annual Report 2016/17 – referral from the Culture and Communities Committee

The Culture and Communities Committee had referred a report on the annual performance of Edinburgh Leisure covering the period 2016/17, to the Governance, Risk and Best Value Committee for scrutiny.

June Peebles and Kevin Johnston from Edinburgh Leisure attended the meeting for this item.

Decision

1) To note the report by the Culture and Communities Committee.

2) To ask that information be provided on consultation and engagement which had taken place with the Access Panel on independent access to venues.

3) To ask that information be provided on follow-up practices for programmes and their outcomes.

(References – Culture and Communities Committee 14 November 2017 (item 16); referral report from the Culture and Communities Committee, submitted.)

6. Re-basing the 2017/18 Internal Audit Plan

The Committee had approved its Internal Audit plan for 2017/18. Details were provided on proposed changes to the current year's risk based Internal Audit plan which reflected the addition and removal of audits to ensure ongoing alignment with the changing risk profile of the Council and the need to increase audit validation work.

Decision

1) To approve the Internal Audit (IA) proposals for a net decrease of 77 days of the planned audit time detailed in the current 2017/18 Internal Audit Plan.

2) To ask the Chief Internal Auditor to provide an update to the next meeting on the expected resource challenges for future audits.

(References – Governance, Risk and Best value Committee, 9 March 2017 (item 4); report by the Chief Internal Auditor, submitted.)

7. Revenue Monitoring 2017-18 – Month Five Position – referral from the Finance and Resources Committee

The Finance and Resources Committee had referred a report on the projected overall position for the Council's revenue expenditure budget for 2017/18 based on analysis of period five data, to the Governance, Risk and Best Value Committee for consideration as part of the Committee's work programme.

Decision

1) To note the report.

2) To note that the Executive Director of Resources would discuss with the Chief Executive and Interim Chief Officer, Edinburgh Health and Social Care Partnership, the possibility of a review of how the Council/NHS Lothian and the Edinburgh Integration Joint Board scrutinised and monitored services and the general governance arrangements.

(References – Finance and Resources Committee, 7 November 2017 (item 6), referral report by the Finance and Resources Committee, submitted.)

8. Capital Monitoring 2017-18 Half Year Position – referral from the Finance and Resources Committee

The Finance and Resources Committee had referred a report on the overall position of the Council's Capital budget at the half year position (based on month five data) and the projected outturn for the year, to the Governance, Risk and Best Value Committee for consideration as part of its work-plan.

Decision

To note the report.

(References – Finance and Resources Committee, 7 November 2017 (item 9); referral report by the Finance and Resources Committee, submitted.)

9. Treasury Management – Mid-term Report 2017-18 – referral from The City of Edinburgh Council

The City of Edinburgh Council had referred a report on Treasury Management Activity in 2017/18, to the Governance, Risk and Best Value Committee for scrutiny.

Decision

To note the report.

(References – Act of Council No 11 of 23 November 2-17; referral report by the City of Edinburgh Council, submitted.)

10. ICT in Schools - Update

The Committee had requested further information on ICT in schools and in particular the current situation at James Gillespie's High School.

Details were provided on the devices used at James Gillespie's High School, the implications of pupils using their own IT devices, other schools within the City who were in the same situation and possible solutions to the lack of wi-fi at the High School.

Decision

1) To note the report by the Executive Director for Communities and Families.

2) To note that a further report on ICT in schools would be brought to Committee in January 2018.

3) To request that the report to the Education, Children and Families Committee include information on the type and ownership of mobile devices being used by school pupils.

(References – Governance, Risk and Best Value Committee, 29 August 2017 (item 1); report by the Executive Director for Communities and Families, submitted.)

Declaration of Interest

Councillor Main declared a non-financial interest in the above item as the parent of a young person attending James Gillespie's High School.

11. Corporate Governance Framework 2016-2017

Details were provided on the Council's governance framework which brought together an underlying set of legislative requirements, governance principles and management processes. The Council's self-assessment for the period 1 April 2016 to 31 March 2017 was provided.

Decision

1) To note the corporate governance framework self-assessment which was outlined in Appendix 1 to the report by the Chief Executive.

2) To note the improvement actions meantime and that they be reconsidered following the planned workshop on this matter.

3) To note that a workshop was being organised for the new year to review the process.

4) To delegate authority to the Corporate Governance Manager, in consultation with the Convener, to establish a Member/Officer Working Group to look at how to improve the co-ordination, reporting and use of the strategic management information.

(Reference – report by the Chief Executive, submitted.)

Declaration of Interest

Councillor Main declared a non-financial interest in the above item as a member of the Edinburgh Integration Joint Board.

12. Whistleblowing Update

A high level overview of the operation of the Council's whistleblowing hotline for the period 1 July to 30 September 2017 was provided.

Decision

To note the report by the Chief Executive.

(References – report by the Chief Executive, submitted)

13. Whistleblowing Monitoring Report

The Council, in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973, excluded the public from the meeting during consideration of the following item of business for the reason that it involved the likely disclosure of exempt information as defined in Paragraphs 1, 12 and 15 of Part 1 of Schedule 7(A) of the Act.

An overview of the disclosures received and investigation outcome reports completed during the period 1 July to 30 September 2017 was provided.

Decision

To continue consideration of the report to the next meeting for clarification on a case.

(Reference – report by the Chief Executive, submitted)

Outstanding Actions Item No 5.1

Governance, Risk and Best Value Committee

January 2018

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
1	19/10/2015	Committee Report Process	To investigate technology offered by the new IT provider with a view to improving report format and reducing officer workload. To request a progress report back to Committee in one year.	Chief Executive	March 2018		Work has been undertaken looking at different options. An option has been identified and funding options are being explored.
2	21/04/2016	Internal Audit – Audit and Risk Service: Delivery Model Update	To ask that an update report on the internal audit function be provided to the Governance, Risk and Best Value Committee a year after implementation.	Executive Director of Resources	April 2018		A verbal update on appointments was provided in February 2017. An update on new service model will be provided after one year.

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No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							Assurance of progress was provided within the Internal Audit Opinion Report considered on 1 August 2017.
3	26/09/16	Corporate Leadership Team Risk Update	To request that progress reports on the additional precautionary surveys currently being undertaken in buildings sharing similar design features to those of the PPP1 schools, would be referred to the Governance, Risk and Best Value Committee for scrutiny.	Executive Director of Resources	May 2018	5 December 2017	Recommended for Closure A report was submitted to the Corporate Policy and Strategy Committee in December 2017 who have called for a further update in 12 months.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
4	24/10/16	Home Care and Re-ablement Service Contact Time	To request an update report 6 months after the implementation of the new ICT system for shift allocation.	Chief Officer, Edinburgh Health and Social Care Partnership	Date TBC		The Interim Chief Officer provided an update to Committee in Sept 2017. The Shift Allocation System was included in a wider review, the results of which would be reported as soon as possible. The Edinburgh Health and Social Care Partnership developed a high-level plan to address the challenges faced by the Partnership in the short- and medium-term. Objectives and detailed action plans for the
	29/09/17		To ask the Chief Officer, Edinburgh Health and Social Care Partnership to provide an update on why the new ICT system for shift allocation was not implemented earlier in the year				

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							priority workstreams would follow. The review of home care services would be included in this, although it is not possible at this stage to say when plans would be available.
5.	22/12/2016	Internal Audit Quarterly Update Report: 1 July 2016 – 30 September 2016	To request an update report on the recommendation for Edinburgh Buildings Services by November 2017.	Executive Director of Place	January 2018		The update for members on the Internal Audit recommendation for Edinburgh Buildings Services would be delayed to coincide with the 17/18 audit plan review on the area which was due to finish in December 2017.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
6	09/03/2017	Outstanding Actions	To request that the report on the Governance of the Edinburgh Partnership would be referred from the Communities and Neighbourhoods Committee to the Governance, Risk and Best Value Committee.	Chief Executive	TBC		Timescales have been pushed back as this work has been subsumed into the review of Edinburgh Partnership Governance.
	26/09/17	Outstanding Actions – 26 September 2017	To request a timeline for the development of governance arrangements for the Edinburgh Partnership	Chief Executive			
7.	20/04/2017	Governance of Major Projects: progress report	To note the review underway for how change was reported and managed across the Council which will also include strengthening of governance arrangements around project and programme delivery. This would be reported to the Governance, Risk and	Chief Executive	March 2018		The report forms part of the Change Management report which will be considered together with the Audit report. *Action 1* - The report on Portfolio of Change, key

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			Best Value Committee with developed proposals in the next reporting period. To request that members of Governance, Risk and Best Value Committee have input into the scope of the lessons learned report to be drafted on the New Boroughmuir High School and that this report was referred to the Governance, Risk and Best Value Committee following consideration at the Education, Children and Families Committee. To request communication with teachers, parents and parent councils on the progress with WIFI provision in schools				themes, schedule of delivery and the refreshed governance arrangements is due in January 2018 following consideration at CP&S. *Action 2* - The lessons learned exercise will be carried out as part of the normal project activity at the end of the project. The scope will be shared with elected members for comment. *Action 3* – The Chief Information Officer has met with the Parent Council of JGHS

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							to update them on the progress of WiFi in the school
8.	29/08/2017	Status of the ICT Programme	To ask the Executive Director for Communities and Families for a report on: 1) How the decision was taken to enable pupils attending James Gillespie's High School to bring their own IT devices rather than Council devices. 2) What advice James Gillespie's High School were given by the directorate on the implications of their decision. 3) Further information of other schools within the City who are in	Executive Director for Communities and Families	January 2018	17 November 2017	GRBV Committee on 17 November 2017. This action will not close until it has been considered by the Education, Children and Families Committee.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			the same situation and their experiences. 4) Possible solutions to the issue raised by the deputation on the lack of wi-fi at the High School and related timescales.				
9	01/08/2017	Governance, Risk and Best Value Work Programme – 1 August 2017	To note an investigation report on retention of case records would be reported to the appropriate committee and a timescale for this would be provided as soon as possible.	Executive Director for Communities and Families	March 2018		The Executive Director for Communities and Families will provide an update once the Chief Internal Auditor's investigation is concluded. The final audit report would be referred from the Corporate Policy and Strategy Committee to

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							GRBV in March 2018.
10	01/08/2017	Property Conservation Project Closure Review	To request a report on forecasting for potential problems with major projects and plans from the Resilience team to prevent these. To provide members with information on the progress of appointing a single point of contact for all major projects.	Chief Executive	March 2018		The report forms part of the Change Management report which will be considered together with the Audit report. The report on Portfolio of Change, key themes, schedule of delivery and the refreshed governance arrangements to ensure required management and scrutiny of project/programme delivery will be referred to GRBV following consideration at

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							Corporate Policy and Strategy in December 2017
11	01/08/2017	Employee Engagement Update 2017	To request the action plan drafted following the 2017 employee survey was reported to GRBV for scrutiny and approval prior to implementation	Executive Director of Resources	May 2018		The report will be provided following completion of the employee survey which is now due to take place after the budget in February 2018 and the development of an action plan to address the results.
12	01/08/2017	Monitoring Officer Investigation	To request a review report on Project Management within the Council.	Chief Executive	M 2018		The report forms part of the Change Management report which will be considered together with the Audit report.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
13	29/08/2017	Roads Services Improvement Plan	To ask for a report back in 6 months time	Executive Director of Place	February 2018		
14	26/09/2017	Internal Audit Quarterly Update Report: 1 January 2017 – 30 June 2017	To request information on: the total spend on homelessness provision the checks in place for recovering money from the Government. the governance of the Homelessness Taskforce	Acting Head of Safer and Stronger Communities	January 2018		A report on the total spend on homelessness provision, recovery of money from the government and governance of the Homelessness Taskforce will be referred to GRBV following consideration by the Housing and Economy Committee.
15	26/09/2017	Internal Audit: Overdue Recommendations and Late Management Responses	To request an update on: the progress of actions due to close in September. Mortuary Services	Chief Internal Auditor	January 2018		The requested updates were circulated to members on 9 October 2017. An update will be

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			To request a scoping report with proposals to address the outstanding actions for Health and Social Care back to GRBV with an appendix highlighting who is responsible for each area.				provided to Committee in November 2017 on the scoping report for proposals to address outstanding H&SC actions.
16	26/09/2017	Principles to Govern the Working Relationships between the City of Edinburgh Council Governance, Risk and Best Value Committee and the Edinburgh Integrated Joint Board Audit and Risk Committee	To accept the high-level principles subject to further information on how elected members could best engage with the process.	Chief Internal Auditor	March 2018		An update will be provided to Committee in March 2018 on how elected members can best engage with the process.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
17	26/09/2017	City of Edinburgh Council – 2016/17 Annual Audit Report to the Council and the Controller of Audit	To request an update report in January 2018 on the progress of the improvements recommended in the action plan. To request a briefing to members on Edinburgh Catering Services including the current situation and a breakdown of what has caused the deficit	Chief Executive	January 2018		The briefing on Edinburgh Catering Services was circulated to members on 9 October 2017. A report on this matter was on the October 2017 agenda.
18	31/10/2017	Complaints Management	To note that an update report would be presented to Committee in Spring 2018 To include the previous years' comparative figures any future report.	Chief Executive	May 2018		

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
19	31/10/2017	Spot-checking on the Dissemination of Council Policies	To note that a report which explored with directorates more effective ways to monitor the dissemination and understanding of Council policies by employees would be submitted by Spring 2018.	Chief Executive	May 2018		
20	31/10/2017	Edinburgh Catering Services	To note the actions proposed as part of a general turnaround and improvement plan for the service and to receive a further report which outlined progress made in March 2018.	Executive Director of Resources	March 2018		
21	31/10/2017	External Audit Review of CGI IT Security Controls (B Agenda item)	To agree that a further update on progress with the implementation of the improvement actions identified would be provided to the Committee in January	Executive Director of Resources	January 2018		Two reports will be presented to Committee – on the overall ICT Programme delivery, and a follow-up to the External audit of

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			2018. To invite the appropriate officers from CGI to attend for consideration of the update report in January 2018; which would cover the progress with the action plan against the audit recommendations but would also address the progress with the wider ICT transformation programme				cybersecurity.
22	28/11/17	GRBV Work Programme - November 2017	To request a further report by the Executive Director of Place, reviewing the process for the appointments of the Licensing Forum members	Executive Director of Place			
23	28/11/17	Re-basing the 2017-18 Internal Audit Plan	To ask the Chief Internal Auditor to provide an update to the next	Chief Internal Auditor	January 2018		

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			meeting on the expected resource challenges for future audits				
24	28/11/17	ICT in Schools - Update	To note that a further report on ICT in schools would be brought to Committee in January 2018	Executive Director for Children and Families	January 2018		
25	28/11/17	Corporate Governance Framework 2016-2017	To delegate authority to the Corporate Governance Manager, in consultation with the Convener, to establish a Member/Officer Working Group to look at how to improve the co-ordination, reporting and use of the strategic management information	Corporate Governance Manager			

Work Programme

Item No 6.1

Governance, Risk and Best Value Committee

	Title / description	Sub section	Purpose/Reason	Category or type	Lead officer	Stakeholders	Progress updates	Expected date
Section A – Regular Audit Items								
1	Internal Audit: Overdue Recommendations and Late Management Responses		Paper outlines previous issues with follow up of internal audit recommendations, and an overview of the revised process within internal audit to follow up recommendations, including the role of CLG and the Committee	Internal Audit	Chief Internal Auditor	Council Wide	Quarterly	20 March 2018 5 June 2018 September 2018
2	Internal Audit Quarterly Activity Report		Review of quarterly IA activity with focus on high and medium risk findings to allow committee to challenge and request to see further detail on findings or to question relevant officers about findings	Internal Audit	Chief Internal Auditor	Council Wide	Quarterly	20 March 2018 5 June 2018 September 2018

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3	IA Annual Report for the Year		Review of annual IA activity with overall IA opinion on governance framework of the Council for consideration and challenge by Committee	Internal Audit	Chief Internal Auditor	Council Wide	Annually	5 June 2018
4	IA Audit Plan for the year		Presentation of Risk Based Internal Audit Plan for approval by Committee	Internal Audit	Chief Internal Auditor	Council Wide	Annually	20 March 2018
5	Accounts Commission	Annual report	Local Government in Scotland: Financial Overview	External Audit	Executive Director of Resources	Council Wide	Annually	16 January 2018
6	Accounts Commission	Annual report	Local Government in Scotland: Performance and Challenges	External Audit	Executive Director of Resources	Council Wide	Annually	Autumn/Winter 2017
7	Annual Audit Plan	Scott Moncrieff	Annual audit plan	External Audit	Executive Director of Resources	Council Wide	Annually	Spring 2018
8	Annual ISA 260 Audit Report	Scott Moncrieff	Annual Audit Report	External Audit	Executive Director of Resources	Council Wide	Annually	September 2018
9	Interim Audit Report	Scott Moncrieff	Interim audit report on Council wide internal financial control framework	External Audit	Executive Director of Resources	Council Wide	Annually	September 2018
10	IT Audit Report	Scott Moncrieff	Scope agreed during annual external audit planning cycle	External Audit	Executive Director of Resources	Council Wide	Annually	October 2018

11	Audit Charter			External Audit	Executive Director of Resources	Council Wide		March 2018
Section B – Scrutiny Items								
12	Governance of Major Projects	6 monthly updates	To ensure major projects undertaken by the Council were being adequately project managed	Major Project	TBC	All	Every 6 months	16 January 2018
13	Welfare Reform	Review	Regular update reports	Scrutiny	Executive Director of Resources	Council Wide	Quarterly	20 February 2018
14	Review of CLT Risk Scrutiny	Risk	Quarterly review of CLT's scrutiny of risk	Risk Management	Chief Executive	Council Wide	Quarterly	16 January 2018 8 May 2018 September 2018
15	Whistleblowing Quarterly Report		Quarterly Report	Scrutiny	Chief Executive	Internal	Six-monthly	20 February 2018
16	Pride in our People	Staff	Annual report of progress	Scrutiny	Chief Executive	Council Wide	Annual	20 February 2018
17	Workforce Control	Staff	Annual report	Scrutiny	Executive Director of Resources	Council Wide	Annual	8 May 2018
18	Committee Decisions	Democracy	Annual report	Scrutiny	Chief Executive	Governance, Risk and Best Value Committee	Annual	Date TBC Re-examine after improved information tracking.
19	Monitoring of	Democracy	Bi-annual report	Scrutiny	Chief Executive	Council Wide	Annual	Spring 2018

	Council Policies							
20	Edinburgh Shared Repairs Service and Legacy Closure Programme	Review	Progress reports	Scrutiny	Executive Director of Resources	All	Six-monthly	20 February 2018
21	Revenue Monitoring	Review	Progress reports	Scrutiny	Executive Director of Resources	Council Wide	January 2018 February 2018	16 January 2018
22	Capital Monitoring	Review	Progress reports	Scrutiny	Executive Director of Resources	Council Wide	January 2018 February 2018	16 January 2018
23	Revenue Outturn	Review	Progress reports	Scrutiny	Executive Director of Resources	Council Wide	Annual	September 2018
24	Capital Outturn and Receipts	Review	Progress reports	Scrutiny	Executive Director of Resources	Council Wide	Annual	September 2018
25	Treasury – Strategy report	Review	Progress reports	Scrutiny	Executive Director of Resources	Council Wide	Annual	8 May 2018
26	Treasury – Annual report	Review	Progress reports	Scrutiny	Executive Director of Resources	Council Wide	Annual	September 2018
27	Treasury – Mid-term report	Review	Progress reports	Scrutiny	Executive Director of Resources	Council Wide	Annual	16 January 2018

Section C – Council Companies								
28	Edinburgh Leisure	Review	Progress Report	Scrutiny	Executive Director for Communities and Families	Council Wide	Annual	November 2018
29	Festival City Theatres Trust	Review	Progress Report	Scrutiny	Executive Director of Place	Council Wide	Annual	November 2018

GRBV Upcoming Reports

Appendix 1

Report Title	Type	Flexible/Not Flexible
20 February 2018		
Welfare Reform	Scrutiny	Flexible
Whistleblowing Quarterly Report	Scrutiny	Flexible
Pride in Our People	Scrutiny	Flexible
Edinburgh Shared Repairs Service and Legacy Closure Programme	Scrutiny	Flexible
Revenue Monitoring	Scrutiny	Flexible
Capital Monitoring	Scrutiny	Flexible
Roads Services Improvement Plan	Scrutiny	Flexible
20 March 2018		
Internal Audit: Overdue Recommendations and Late Management Responses	Scrutiny	Flexible

Internal Audit – Quarterly Activity Report	Scrutiny	Flexible
IA Internal Audit Plan for the Year	Scrutiny	Flexible
Audit Charter	Scrutiny	Flexible
Committee Report Process	Scrutiny	Flexible
Governance, Risk and Best Value Work Programme – 1 August 2017	Scrutiny	Flexible
Principles to Govern the Working Relationships between the City of Edinburgh Council Governance, Risk and Best Value Committee and the Edinburgh Integrated Joint Board Audit and Risk Committee	Scrutiny	Flexible
Edinburgh Catering Services	Scrutiny	Flexible
8 May 2018		
Review of CLT Risk Scrutiny	Risk Management	Flexible
Workforce Control	Scrutiny	Flexible
Treasury - Strategy Report	Scrutiny	Flexible
Internal Audit – Audit and Risk Service: Delivery Model Update	Scrutiny	Flexible

Corporate Leadership Team Risk Update	Scrutiny	Flexible
Employee Engagement Update 2016	Scrutiny	Flexible
Complaints Management	Scrutiny	Flexible
Spot Checking on the Dissemination of Council Policies	Scrutiny	Flexible

Governance, Risk and Best Value Committee

10.00am, Tuesday, 16 January 2018

2016/17 Annual Audit Report and Review of Internal Controls: progress update

Item number	7.1
Report number	
Executive/routine	
Wards	
Council Commitments	

Executive summary

In considering the Council's 2016/17 Annual Audit Report and the External Auditor's annual review of the Council's internal control framework on 26 September 2017, members of the Governance, Risk and Best Value Committee asked that a progress update be brought back to the Committee's January meeting, setting out progress against the agreed improvement actions. This report outlines those actions taken to date, with a further progress update on longer-term actions to be reported to the Committee's meeting on 8 May 2018.

Report

2016/17 Annual Audit Report and Review of Internal Controls: progress update

1. Recommendations

1.1 Members of the Governance, Risk and Best Value Committee are asked to:

1.1.1 note the progress made to date in addressing the actions contained within the Annual Audit Report and review of the Council's internal control framework; and

1.1.2 note that a further update on longer-term actions will be provided to the Committee's meeting in May.

2. Background

2.1 At its meeting on 26 September 2017, the Governance, Risk and Best Value Committee considered the external auditor's Annual Audit Report for 2016/17. In issuing an unqualified opinion on the financial statements, the Council's financial management arrangements were assessed to be effective, with the Council also open and transparent in the conduct of its business and demonstrating strong self-awareness of areas where improvement was required.

2.2 As part of its annual cycle of review, the external auditor furthermore requires to assess the effectiveness of the Council's internal control framework. The key findings of this assessment were reported to the Committee's meeting on 26 September 2017, with the existing controls considered to be well-designed and effective.

2.3 While, in each case above, the key conclusions were positive, a number of opportunities for further improvement were identified and these formed the basis of the respective action plans. These action plans incorporated management responses in respect of each recommendation made, along with a named responsible officer and associated planned timescale for implementation.

2.4 In considering both the Annual Audit and Internal Control review reports, members asked that a progress update be brought to the Committee's January meeting. While a number of the actions are not due for completion until later in the year, this report provides an update on those for which an earlier implementation date had been agreed. A further update, incorporating the actions with longer associated timescales for implementation, will be brought to the Committee's meeting on 8 May.

3. Main report

Annual Audit Report

3.1 The agreed action plan for the Council's Annual Audit Report includes eight individual recommendations, with seven assigned medium-priority, and one high-priority, status. Of these, three have planned implementation dates later in the year, with the corresponding preparatory work underway.

3.2 For those actions with due dates of December 2017 or earlier, the position in respect of implementation is as follows:

(i) **maintenance of councillors' register of interests (medium-priority)** – the Council continues to remind, and support, councillors in meeting their responsibilities under The Elected Members' Code of Conduct. Detailed guidance was provided as part of the initial member induction programme in May 2017, with periodic targeted reminders issued since that time following Committee and external body appointments approved by Council. The Council also hosted a regional roadshow for elected members on the Councillors' Code of Conduct, delivered by the Standards Commission, on 20 November 2017, with all elected members invited to attend;

(ii) **finalisation and issuing of "People Plans" (medium-priority)** – action completed. The People Plans chart a twelve-month outlook for each service area, detailing planned HR delivery and service initiatives which have a 'people' impact. The plans are living documents and are now being used by Senior HR Business Partners to discuss with service area senior management teams the timescales for delivery and any gaps which may exist;

(iii) **publication of Edinburgh Integration Joint Board Annual Performance Report for 2016/17 (medium-priority)** – action completed. The report was considered by the Corporate Policy and Strategy Committee on 3 October 2017;

(iv) **publication of the Council's Corporate Governance framework self-assessment (medium-priority)** – action completed. The self-assessment was considered by the Governance, Risk and Best Value Committee on 28 November 2017, with a number of recommendations agreed by the Committee to establish a member-officer working group to review and, where practicable, streamline the process for future years; and

(v) **continuing prioritisation of actions to improve performance in respect of delayed discharge (high-priority)** – on-going. Weekly Star Chamber meetings continue to allow focused discussion on individuals experiencing delay. Further actions undertaken include:

- Implementation of locality teams from beginning of October to allow more integrated community responses;
- Continuation of work to address capacity issues with care at home providers;
- Seeking of additional care home places from independent sector;

- Review of the care at home contract; and
- Presentation of outline commissioning plan for older people to the EIJB in January 2018.

3.3 As noted above, progress updates in respect of addressing delayed discharge-related issues and other actions with planned implementation dates later in 2018 will be provided to the Committee's meeting on 8 May 2018.

Review of internal controls

3.4 The external auditor's review of the Council's internal control framework, while attesting to the general effectiveness of current arrangements, included seven recommendations, six of which were assigned medium-priority and the remaining one low-priority.

3.5 For those actions with planned implementation dates by December 2017, the position is as follows:

(i) **payroll systems access (medium-priority)** – action completed. Access rights for all payroll employees have been updated to be fully aligned to current responsibilities and a process put in place going forward to undertake reviews on a quarterly basis;

(ii) **documentation and review of all key procedures for the CFATS Telford, Tranman and SWIFT systems (medium-priority)** – action completed. Procedures for all key systems have now been developed or updated as appropriate, with an annual cycle of review also put in place;

(iii) **CFATS Telford system access rights (medium-priority)** – action completed. A full review of current rights has been undertaken and a programme of regular review introduced going forward to ensure that access appropriate to an individual's role is maintained;

(iv) **CFATS – documentation of procedures to ensure full reconciliation of work performed and requested prior to payment approval (medium-priority) –** action completed**.** These notes are included in the suite of procedural documentation noted above;

(v) **updating of published guidance on members' remuneration** (medium-priority) – action in progress. Updated guidance, incorporating input from Insurance, Payroll, Democratic Services is being finalised and will be published on the Orb by the end of January 2018. This guidance will be subject to formal and documented annual review going forward as part of the Customer Division's wider policy assurance review; and

(vi) **Non-Domestic Rates reliefs/exemptions spot checks (low-priority)** – action completed. Annual spot checks were concluded by the end of November 2017. Activities are being scheduled within "business as usual" plans for future years.

4. Measures of success

4.1 Agreed measures are implemented to address any actions identified within external and internal audit reviews in accordance with the timescales indicated.

5. Financial impact

5.1 There is no direct additional impact arising from the report's contents, although the on-going effectiveness of the Council's current financial management and planning arrangements was noted in the Annual Audit Report.

6. Risk, policy, compliance and governance impact

6.1 The Committee's remit includes the review of all matters relating to external audit, including reports and action plans to monitor implementation of external audit recommendations.

6.2 The Council's arrangements for risk management, fraud prevention and internal control, as well as its wider governance framework, have been assessed to operate effectively. Prompt actioning of recommendations for improvement serves to strengthen the effectiveness of this overall framework.

7. Equalities impact

7.1 There is no direct relevance of equalities and rights issues to the report's contents.

8. Sustainability impact

8.1 There are no impacts on carbon, adaptation to climate change and sustainable development arising directly from this report.

9. Consultation and engagement

9.1 There is no direct relevance to the report's contents.

Andrew Kerr

Chief Executive

Stephen S. Moir

Executive Director of Resources

Contact: Jo McStay, Interim Strategy and Insight Senior Manager

E-mail: jo.mcstay@edinburgh.gov.uk | Tel: 0131 529 7950

Contact: Hugh Dunn, Head of Finance

E-mail: hugh.dunn@edinburgh.gov.uk | Tel: 0131 469 3150

10. Background reading/external references

External audit review of internal financial controls, 2016/17, Governance, Risk and Best Value Committee, 26 September 2017

City of Edinburgh Council – 2016/17 Annual Audit Report to the Council and the Controller of Audit, Governance, Risk and Best Value Committee, 26 September 2017

11. Appendices

None

Governance, Risk and Best Value Committee

10.00am, Tuesday 16 January 2018

Internal Audit Quarterly Update Report: Quarter 2 – (1 July – 30 September 2017)

Item number	7.2
Report number	
Executive/routine	
Wards	
Council Commitments	

Executive summary

This report provides details of the Internal Audit reviews completed in Quarter 2 and an update on progress with the overall delivery of the 2017/18 Internal Audit plan.

As at 30 September, Internal Audit had issued a total of 6 reports (4 were issued in quarter 2) and 14 audits were in progress. The 4 reports issued in quarter 2 incorporated 8 Findings (2 High; 4 Medium; 1 Low and 1 Advisory).

The Starters audit report is recommended for referral to the Edinburgh Integration Joint Board (EIJB) Audit and Risk Committee. No reports were referred by the EIJB Audit and Risk Committee to GRBV at their meeting in September 2017.

Delivery progress as at 30 September left a balance of 37 audits to be completed in the second half of the year, with 15 audits to be delivered in Quarter 4 (for comparison purposes, 13 audits were completed in Quarter 4 2016).

Internal Audit plan delivery has also been significantly impacted by resourcing challenges within the team during this period. A capacity analysis has been undertaken to assess the ability of the team to deliver the balance of the plan, as at 8 January 2018, which is appended to this report.

·EDINBVRGH·
THE CITY OF EDINBURGH COUNCIL

Report

Internal Audit Quarterly Update Report: Quarter 2 – (1 July – 30 September 2017)

1. Recommendations

1.1 Committee is requested to:

1.1.1 Note that Internal Audit issued a total of 6 Internal Audit reports in the 2017/18 plan year with 4 reports being issued in Quarter 2 (1 July to 30 September 2017).

1.1.2 Note the risks associated with the 2 High rated findings raised and consider if further clarification or immediate follow-up is required with responsible officers for specific items.

1.1.3 Refer the Starters and Local Development Plan and Action Programme audit reports to the appropriate Council executive committees for information and further scrutiny where appropriate.

1.1.4 Approve the recommendation to refer the Starters audit report to the EIJB Audit and Risk Committee as this could have a direct impact on the services delivered by the Health and Social Care Partnership.

1.1.5 Note that no reports were referred by the EIJB Audit and Risk Committee to GRBV at their meeting in September 2017.

1.1.6 Note the volume of Internal Audit work in progress as at the end of Quarter 2 (30 September 2017) and the status of progress with the annual audit plan as at 30 November 2017 (refer section 3.2 and Appendix 1, Tables 2 and 3).

1.1.7 Following a request for an update at Committee in November 2017, note the resourcing challenges currently affecting upon Internal Audit capacity and recognise their potential impact on delivery of the 2017/18 Internal Audit plan as detailed at 3.5 and Appendix 2.

1.1.18 Approve option 2 as the best approach to deliver the 2017/18 annual Internal Audit plan based on the options outlined at 3.5 below. This will involve purchasing additional days from PwC under the current co-source agreement to support delivery of the plan and an Internal Audit annual assurance opinion for 2017/18 based on an appropriate level of coverage of the Council's key risks. In doing to, note that this approach will incur additional, unplanned costs and the Executive Director, Resources has endorsed an additional spend of up to £100k to support this critical work.

2. Background

2.1 Internal Audit is required to deliver an annual plan of work, which is scoped using a risk-based assessment of Council activities. Additional reviews are added to the plan where considered necessary to address any emerging risks and issues identified during the year, subject to approval from the relevant Committees.

2.2 The status of progress against the plan and a summary of findings are presented to the Governance, Risk, and Best Value (GRBV) Committee for consideration on a quarterly basis.

3. Main report

3.1 **Internal Audit 2017/18 Plan Progress**

As at 30 September 2017 Internal Audit had issued a total of 6 final reports in the 2017/18 plan year, with 4 reports issued in quarter 2. These reports included 2 High; 4 Medium; 1 Low; and 1 Advisory rated recommendations. Further analysis is included at Appendix 1 (Table 1), with details of the High rated findings included at Appendix 2.

The main reason for the low volume of reports issued in the first half of the year reflects the time required to complete the thematic review performed across the Council's 10 care homes in quarters 1 and 2. This involved three team members and required circa 120 audit days.

Detailed outcome reports and management action plans have been issued to individual care homes and the overarching report that outlines the consolidated outcomes and findings was issued to Health and Social Care on 12 October with a request for management responses by 17 November.

Management responses have not yet been received from Health and Social Care. However, the Interim Chief Officer is progressing this with the management team.

3.2 **Referrals to and from the Edinburgh Integration Joint Board**

The review of Starters completed in quarter 2 could have a direct impact on the services delivered by the Health and Social Care Partnership. This report is therefore being recommended for referral by the Committee to the next meeting of the EIJB Audit and Risk Committee.

No reports were referred by the EIJB Audit and Risk Committee to GRBV at their meeting in September 2017.

3.3 **2017/18 Annual Plan Completion**

The position at 30 September 2017 left a balance of 37 audits (based on the rebased plan approved by GRBV at their meeting on 28 November) to be completed in the second half of the plan year. Progress with these audits as at 30 November is detailed below:

- 3 draft reports have been issued;

- 7 draft reports are currently being prepared for issue by Internal Audit;
- 6 audits are in progress;
- 21 audits have not yet started. 4 of these 21 audits are planned to be delivered by specialist PwC resources under the terms of the co-source agreement;
- A further 30 days of PwC generalist support is available in Quarter 4 as per the co-source agreement, which should support delivery of circa 2 audits; and
- This leaves a balance of circa 15 audits to be delivered by the Internal Audit team in comparison to 13 audits in Quarter 4 of the 2015/16 plan year. Further analysis on whether this is achievable is presented to the Committee in addition to this paper.

Appendix 1 provides a summary of the audits completed and Findings raised (Table 1); a summary of work in progress at the end of the quarter (Table 2); and the status of progress with the Internal Audit 2017/18 annual plan as at 30th November (Table 3).

3.4 **Internal Audit capacity**

One of the two Internal Audit Principal Audit Manager roles has been vacant since August 2017. A second recruitment campaign later in the year was successful at filling the role. The successful candidate is expected to join the team in April 2018, subject to the successful completion of pre-employment checks to a standard deemed satisfactory to the Council.

Whilst skilled temporary backfill resource was sourced from mid-August, this contractor left on 15 December to take up a permanent role outside the Council.

The importance of ensuring compliance with HM Revenue and Customs Intermediary Regulations (IR) 35 regulations for off-payroll workers has prevented allocation of ongoing management responsibilities to the temporary contractor (for example, review and oversight of audit work performed by the team and people management responsibilities). This has also impacted delivery of the Internal Audit plan.

No suitable backfill resource has yet been identified from the labour market to cover the ongoing Principal Audit Manager vacancy for the period January to March 2018, therefore there will be a gap.

Additionally, absence due to ill-health within the team since the end of November has further impacted delivery of the plan. This has been exacerbated by some audits taking longer than planned due to the amount of engagement required with service areas, and the time required to support implementation of the new monthly Internal Audit validation process.

Given these challenges and the need to ensure robust assurance for the Council's operations, the Executive Director of Resources has approved an increase in the Internal Audit team's establishment. The addition of 2.0 full-time equivalent Senior Auditor roles, which are being recruited at present, will enable the internal delivery of general audits on a more cost-effective basis by reducing the generalist

resource provided by PwC under the existing co-source arrangements. It is expected that successful candidates will be in place for the start of the new financial year.

Given the resourcing issued detailed, further detail on the options to achieve full delivery of the internal audit plan for 2017/18 are detailed in the following section of the report.

3.5 **2017/18 Internal Audit Plan Delivery**

The resourcing challenges noted at 3.4 above have had a significant adverse impact on delivery of the rebased Internal Audit plan that was presented to and approved by the Committee in November 2017.

Shortfall based on completion of the rebased IA plan approved in November 2017

A further 611 days of Internal Audit activity is required to deliver and complete the plan by 31 March 2018 in comparison to 278 available days (from the Internal Audit team and PwC co-source contract), this leaves a shortfall of 333 days (or 8.5 FTE) to deliver the current plan (refer Appendix 2, Table 1).

Proposals for removal of audits and audit activity

9 audits / Internal Audit activities comprising 185 days have been identified that could be removed from the 2017/18 plan for early inclusion in the 2018/19 plan, if still considered high or medium risk. These include:

- Resources - Finance and Treasury – Travel (20 days)
- Communities and Families - Self Assurance Framework (20 days)
- Place - Waste Services (25 days)
- Place – Fleet Project (20 days)
- Resources – Enterprise Resource Planning (ERP) / Business World Project review (30 days)
- Cycling / Walking Safer Streets Grant (10 days) – there is no longer a requirement for Internal Audit to confirm appropriate disbursement of grant funds.
- Continuous Testing – fraud and key financial controls (20 days)
- Fraud Support – ongoing review of internal fraud cases that can be transferred to the corporate fraud team (10 days)
- Internal Audit - Quality Assurance review (30 days)

Further detail and supporting rationale supporting removal of these audits and activities from the plan is included at Appendix 2, Table 2.

Revised shortfall position and available options

Removal of these audits / activities reduces the shortfall position to 148 days or 3.8 FTE.

Options to address this shortfall include:

1. Approve removal of the audit activities outlined above to support delivery of the 2017/18 plan and remove a further 148 days of audit activity from the remainder of the plan to be delivered in quarter 4. This would enable delivery of the plan to be delivered by the Council's Internal Audit team without additional cost, but would adversely impact provision of the annual Internal Audit assurance opinion over both the Council's and IJB's key risks, and audit services provided to third party arms-length organisations.
2. Approve removal of the audit activities outlined above to support delivery of the 2017/18 plan and draw down additional support from PwC to deliver the remainder of the plan. This additional spend is unplanned and not reflected in the 2017/18 Internal Audit budget. The Executive Director of Resources has committed to fund up to £100k from the Directorate budget to enable this option to be viable.

The option of approving removal of the audit activities outlined above and recruiting external contract resource from the market to support plan delivery has been carefully considered and is not recommended as it is highly unlikely that this can be achieved in sufficient time to support effective plan delivery.

Option 2 is therefore recommended for the Committee's approval.

3.6 **Overdue Internal Audit Recommendations**

The current status of all overdue recommendations from reports issued prior to this period is discussed in the report 'Internal Audit follow-up arrangements: status report' presented separately to the Committee.

4. Measures of success

4.1 Once implemented, the recommendations contained within these reports will strengthen the Council's control framework.

5. Financial impact

5.1 If option 2 (as detailed at 3.5) is approved, this will incur an additional unplanned costs of up to £100K that are not reflected in the current Internal Audit budget. Given the critical nature of this work and potential impact on the audit opinion, this additional spend has been approved by the Executive Director of Resources.

6. Risk, policy, compliance and governance impact

6.1 If the rebased Internal Audit plan is not fully delivered, there will be insufficient coverage of the Council's High and Medium rated risks, which could impact upon the 2017/18 Internal Audit opinion.

7. Equalities impact

7.1 No full ERIA is required.

8. Sustainability impact

8.1 None.

9. Consultation and engagement

9.1 None.

10. Background reading/external references

10.1 None.

Lesley Newdall

Chief Internal Auditor

E-mail: lesley.newdall@edinburgh.gov.uk | Tel: 0131 469 3216

11. Appendices

Appendix 1: **Table 1:** Summary of Internal Audit reports issued and findings raised during Quarter 2 2017/18 (1 July 2017 – 30 September 2017)

Table 2: Summary of work in progress as at 30 September 2017

Appendix 2: Capacity to complete the 2017/18 Internal Audit plan as at 8 January 2018

Appendix 3: Summary of High Risk Findings and Management Actions for 1 July 2017 – 31 October 2017.

Appendix 1

Table 1: Summary of Internal Audit reports issued and findings raised during Quarter 2 2017/18 (1 July 2017 – 30 September 2017)

Internal Audit reports				
Title of Review	**High Risk Findings**	**Medium Risk Findings**	**Low risk Findings**	**Advisory Comment**
Transfer of Management of Development Funding (MIS1702)	-	-	-	-
# Starters (RES1704)	2	1	-	-
Treasury Controls Design Review (RES1703)	-	2	-	1
Local Development Plan and Action Programme (PL1705)	2	1	1	-
Total	4	4	1	1
No Audit reports have been referred to the Governance, Risk and Best Value Committee by the Edinburgh Integration Joint Board Audit and Risk Committee.				
# These reports are recommended for referral to the Edinburgh Integration Join Board as they may have either a direct or indirect impact on the services delivered by the Edinburgh Health and Social Care Partnership.				

Table 2: Summary of work in progress as at 30 September 2017

Internal Audit reports		
Title of Review	Start Date	Estimated Completion Date
Ross Bandstand Project Assurance Review (PR1701)	June	Final report issued October 2017
Lothian Pension Fund – Information Governance (RES1705)	July	Final report issued October 2017
Edinburgh Alcohol and Drug Partnership – Contract Management (HSC1715)	June	Final report issued November 2017
Customer Transformation Project Assurance Review	July	Draft report issued – will be finalised by end January.
Lothian Pension Fund Business Continuity / Disaster Recovery	August	Final report issued December 2017.
Asset Management Strategy (RES1712)	September	Final report issued November 2017

Care Homes (HSC1701)	March – September	Thematic draft report was issued 12th October. Management responses have not yet been received from Health and Social Care. The Health and Social Care Interim Chief Officer is progressing this with the management team.
Benefits Realisation	September	Draft report being prepared
CCTV	September	Draft report being prepared
Project Assurance Review – St James	September	Draft report being prepared
Project Assurance Review – Zero Waste	September	Draft report being prepared
Lothian Pension Fund – Payroll Outsourcing	September	Draft report being prepared
Foster Care	September	Fieldwork
Records Management – St Katherines	September	Fieldwork

Table 3: Plan Status Summary as at 30 November 2017

Audits to be completed by 31 March (per rebased plan approved by GRBV)	37
Draft reports issued	3
Draft reports in preparation	7
Audits in progress (fieldwork)	6
Audits to be started	**21**
Planned audits to be delivered by PwC Specialists	4
Balance of audits to be delivered by CEC IA team by 31st March Note that 30 days general PwC resource is available for in Q4 as part of the co source arrangements (at no extra cost) which should be able to support delivery of circa 1.5 - 2 audits.	**17**
Audits delivered in Q4 2015/16 (for comparison)	**13**

Appendix 2 - Capacity to complete the rebased 2017/18 Internal Audit plan as at 8 January 2018

Table 1: Calculation of shortfall to deliver the rebased 2017/18 plan

	Work Days to 31/3	Annual Leave	Sickness	Available Days	Average Productive Rate	Available Days
Total IA Team Availability	413	28	71	314	0.725	228
Add PwC support - final tranche to be drawn down Q4						50
Total Available days						**278**
Days required to deliver balance of rebased 2017/18 plan						**611**
Current shortfall (days) to deliver plan						**333**
FTE Equivalent required to full 2017/18 rebased plan						**8.5**
Reduction in plan days from audits proposed for cancellation						**185**
Revised shortfall (days) to deliver remainder of 2017/18 rebased plan						**148**
Revised FTE Equivalent to support delivery of plan if proposed cancellations are accepted						**3.8**

Table 2: Audits to be completed by 31 March 2018 as at 8 January 2018.

Audit Title	Days required	Status	Comments
Health and Social Care			
Care Homes	2	Draft Report	Will complete end January 2018
Centres – Reconciliations	3	Draft Report	Will complete end January 2018
Care Inspectorate Report	30	Not started	Retain in plan as high risk.
IJB			
Purchasing Budget Management	25	Fieldwork	Included in rebased IJB plan approved December 2017. Will complete end February 2018
Community Care Capacity and Access	50	Not started	Included in rebased IJB plan approved December 2017 – must be completed.
Resources			
Customer Transformation	2	Draft Report	Will complete end January 2018
HR and Payroll - Drivers	25	Not started	Retain in plan as high risk.
CGI Contract Management and Cyber Maturity	4	Not started	Will be delivered by PwC specialists, but will require IA time and support
Finance and Treasury - Travel	**20**	**Not started**	**Propose remove from plan and include in 2018/19.**
Safer and Stronger			
CCTV Infrastructure	2	Draft Report	Will complete end January 2018
Communities and Families			
Foster Care	10	Fieldwork	Will complete end February 2018
Self Assurance Framework	**20**	**Not started**	**Propose remove from plan and include in 2018/19.**
Lothian Pension Fund			
Pension Tax	20	Fieldwork	Will complete end February 2018

Audit Title	Days required	Status	Comments
Place			
St James project	3	Draft Report	Will complete end January 2018
Zero Waste project	3	Draft Report	Will complete end January 2018
Planning Control	10	Fieldwork	Will complete end January 2018
Edinburgh Building Services	10	Fieldwork	Will complete end February 2018
Edinburgh Roads Services	30	Planning	Will complete end February 2018
Meadowbank Project	20	Not started	Retain in plan as high risk.
Fleet Project	**20**	**Not started**	**Propose remove from plan and include in 2018/19 as a Q1 audit.**
Health and Safety – Waste and Recycling	4	Not started	Will be delivered by PwC specialists, but will require IA time and support
Waste Services	**25**	**Not started**	**Propose remove from plan and include in 2018/19.**
Strategy and Insight			
Benefits Realisation	2	Draft Report	Will complete end January 2018
Resilience	20	Planning	**Will complete by March 2018.**
Council Wide			
Phishing	4	Planning	Will be delivered by PwC specialists, but will require IA time and support.
Business World	**30**	**Not started**	**The Business World project is aligned to the delivery of the ICT Change Programme, which is the subject of a separate report to the committee. This audit is recommended to be removed from the 2017/18 plan and reinstated in the 2018/19 plan.**

GDPR Readiness	4	Not started	Will be delivered by PwC specialists, but will require IA time and support.
Records Management – St Katherine's	25	Fieldwork	Completion date to be determined.
Validation of previously closed recommendations	15	Fieldwork	Addition to the plan in quarter 3.

Audit Title	**Days required**	**Status**	**Comments**
Follow-up	30	Ongoing	
Other			
Tattoo	5	Draft Report	One review performed per annum.
Port Authority Security	5	Fieldwork	Will complete end January 2018
SesTran	15	Planning	One review performed per annum.
Lothian Valuation Joint Board	15	Not started	One review performed per annum.
Cycling / Walking Safer Streets Grant	**10**	**Not started**	**Remove from plan – there is no longer a requirement for IA sign off**
Continuous Testing – fraud and key financial controls	**20**	**Ongoing**	**Propose remove from plan and include in 2018/19.**
Governance and Reporting			
Preparation of annual plan	15	In Progress	
Corporate Governance – LVJB and Sestran	3	Ongoing	Corporate Governance support provided to arm's length organisations.
Fraud Support	**10**	**Ongoing**	**Propose remove from plan and transfer to corporate fraud team.**
GRBV reporting	5	Ongoing	
Quality Assurance	**30**	**Not started**	**Propose remove from plan and include in 2018/19.**
Total days required to complete rebased plan	**601**		

Total days from proposed cancelled assignments	**185**
Business World – may be delayed to 18/19	**30**

Appendix 3

City of Edinburgh Council

Internal Audit

Quarter 2 - Summary of High Risk Findings and Management Actions

(1 July 2017 – 30 September 2017)

Contents

1. Starters - Page 3
2. Local Development Plan and Action Programme - Page 6

1. Starters (RES1704)

	Critical	High	Medium	Low
Total number of findings	-	2	1	-

Background

Statistics provided showed that between April 2016 and January 2017 there were 1596 new employees joining the Council. This included employees beginning casual, fixed term, permanent, supply and temporary contracts. Communities and Families employed the largest number at 900, with Place and Health and Social Care employing 219 and 215 respectively.

The Council aims to give all these new employees an understanding of how their work fits into the Council's work in the city, and the information and support they need to start in their new role. The Council also has a responsibility to ensure that new employees are familiar with core policies and procedures and have the tools and training they need to carry out their work successfully and safely.

This induction is expected to be concluded within 7 weeks of the employee starting in their post.

This review was included in the 2017/18 internal audit plan as a result the weaknesses identified from our review of the leaver's process in 2016/17. Fieldwork for this review highlighted areas of concern in the starter's process, specifically with regards to inventory control over the issue of ICT equipment to employees.

Scope

The scope of this review was to assess the design and operating effectiveness of the Council's controls relating to 'on boarding' and induction processes for new employees.

Summary of High Risk Findings

1. Record Management – On Boarding Files and Employment Contracts

Finding

Manual 'on boarding' files are maintained in Waverley Court for all new starts until, a new employee account is created on the iTrent system; two payroll periods have passed; and an employment contract is generated. These manual on boarding files include sensitive personal data about prospective employees.

The current contract preparation process involves automated creation of contracts via a 'mail merge' process. Source data for the mail merge is a spreadsheet that is extracted from the iTrent system in Excel format and used as the basis of the mail merge

Review of the record management processes supporting on boarding and contract generation established that:

1. Nine of our requested sample of 46 manual 'on boarding' files could not be immediately located. It was noted that a further 3 files were located between completion of our testing and the time of writing this report. The missing 6 files is attributable to the fact that the record management and retention process for manual on boarding files is dated, incomplete and not consistently applied.
2. Review of a sample of 25 on boarding files identified 16 archived files that had been sent to Iron Mountain containing sensitive personal data such as bank details; PVG applications; criminal conviction questionnaires; and equal opportunities questionnaires. These documents should have been removed and destroyed prior to archiving, in line with the agreed process within the team and standard best practice.
3. There are no reconciliation controls in place between manual on boarding files and data recorded on the spreadsheet used as the basis for the 'mail merge' to ensure that the full population of contracts is produced; and
4. The newly introduced 'mail merge' process results in an inability to automatically upload employment contracts on employee iTrent accounts, or to generate manual / electronic copies of the contracts for retention. Evidence is not retained to confirm that all new starts have received their employment contract within 8 weeks of their start date.

Business Implication

- Breach of Data Protection legislative requirements and non compliance with the Council's Records Management Policy
- Breach of employment law requirement to issue full terms and conditions within 8 weeks of employee starting.
- Regulatory fines and penalties for breach of legislation.

Recommendations

1. Record management processes should be defined and implemented to ensure that manual files are managed, retained and archived in line with Data Protection legislation and the Council's Records Management Policy. This should include requirements for secure storage; recording of the location and transfer of all manual files and a process supporting either electronic or manual retention of employment contracts.
2. There is no mandatory requirement to destroy sensitive personal information prior to archiving however this approach, supported by retention of a completed checklist was confirmed as good practice by the Information Governance team. An investigation should be performed to establish the full population of missing files and ensure that they are located and either securely stored or archived.
3. A reconciliation should be performed to confirm that the 'mail merge' spreadsheet includes data from the full population of on boarding files to ensure that no contracts are missed.

Agreed Management Actions	**Target Date**	**Status**
1. Change in the storage procedure initiated with secure, central storage and indexed records, detailing location and where appropriate details of transfer of manual files to other 3rd parties (internally and Iron Mountain).	31/07/17	Closed
2. A retrospective Compliance Project commences on 10/7/17 for 8 weeks to check all 18,500 personal files. Remedial action to be taken to identify any missing files and ensure securely filed in future.	31/07/17	Closed

3. Guidance from the home office recommends retention of some sensitive personal data which evidence right to work etc. This data will be required moving forward to evidence Council compliance with "Right to Work" legislation. Appropriate document retention will be agreed with Information Governance	29/09/17	Closed
4. The 'mail merge' process for issuing contracts now includes a reconciliation of on boarding files to contracts issued. This is recorded and signed off for each cycle by TL.	30/06/17	Closed

Status of actions due will be validated by Internal Audit as part of the follow-up review process.

2. Completeness and Accuracy of 'On Boarding' and Payroll Data

Finding

Whilst responsibilities for completion of new employee 'on boarding' process and contract generation is segregated between different sections within the team, there are no established technology controls to prevent a single officer from completing the end to end on boarding process, including creation of iTrent and payroll employee accounts.

Additionally, existing payroll exception reports will not identify variances in salaries between 'on boarding' documentation and salary details recorded on iTrent. There is a reliance on manual independent checks performed by Team Leaders to confirm that only authorised new start salary details have been completely and accurately recorded on the payroll system.

Customer Service Advisors review all files to ensure all required documents have been provided prior to making a formal offer of employment and 'on boarding' can be concluded. No additional independent sample testing is performed between 'on boarding' files and iTrent records to confirm that correct details have been entered either before or after the payroll run.

Review of manual 'on boarding' files for Council employees recruited between April 2016 and January 2017 demonstrated that the on-boarding process is not consistently and accurately performed. 100% of the 25 'on boarding' files sample failed due one or more of the following errors being identified:

1. One file did not include a mandatory vacancy e form. Recruitment and 'on boarding' had progressed with no evidence of formal confirmation of a vacancy from the authorised vacancy manager.
2. Three files contained unauthorised Nominated Candidate forms which should be signed as evidence of line manager approval to recruit the preferred candidate.
3. Four files contained checklists that had not been signed by the CSA or supervising officer to confirm that all necessary 'on boarding' documentation had been received.
4. For one employee there were differences in employment start date details between their Itrent system account and those noted on the file checklist, which could result in inaccurate calculation of initial salary.
5. Five files failed to state the Salary Scale point or banding for the post
6. One file showed a difference between the salary banding and Itrent, and
7. One file indicated that a 'Salary Placement' form was required but was not present

Business Implication

- Addition of fictitious employees to the iTrent and payroll systems would not be identified.
- New employees receive incorrect salary payments.
- Weaknesses in references or missing right to work documents are not identified and addressed during the on boarding process.
- Customer Service Advisors training requirements and are not identified and resolved.

Recommendations

The 'On Boarding' process should be reviewed and updated to ensure it is performed consistently, accurately and robustly. Consideration should be given to ensuring the revised process includes the following controls;

1. Appropriate segregation of duties in relation to systems access rights.
2. Regular additional independent review of on boarding files prior to offer of employment to ensure that all mandatory forms are present and completed in full.
3. Independent check to ensure that iTrent and payroll accounts have been established accurately in accordance with information provided during the 'On boarding' process, including authorised Salary Placement Forms where a candidate is placed on a scale point higher than the base of the grade.

Agreed Management Actions	**Target Date**	**Status**
The on boarding process will be updated: 1. System cannot be configured to restrict access to specific elements of the end to end task. This will be built into the new Business World system configuration. To ensure appropriate interim controls, a manual check will be undertaken by Senior Transactions Administrators (these staff will have iTrent systems update access removed) to ensure tasks are undertaken by appropriate/restricted officers, supported by the necessary paperwork	31/08/17	Closed
2. Files content will be reviewed by Senior Transaction Administrators to ensure accuracy and consistency. A full process of checks and procedures will be documented and signed off at Team Leader level for each transaction cycle.	31/07/17	Closed
3. Newly created compliance team will undertake independent sample checks with recruiting managers to ensure new starts are known and correct	29/09/17	Closed
4. An independent check to reconcile on boarded files to payroll new starts reports for each payroll cycle will be carried out and jointly countersigned by the Team Leaders in Payroll and Recruitment. Authorised salary placement forms will be part of the check.	30/06/17	Closed

Status of actions due will be validated by Internal Audit as part of the follow-up review process.

2. Local Development Plan and Action Programme (PL1705)

	Critical	High	Medium	Low
Total number of findings	-	2	1	1

Background

There is a statutory requirement (refer Part 2 (Development Plans) of the Planning etc.(Scotland) Act 2006) for each council in Scotland to prepare a local development plan (LDP). The LDP forecasts how communities will grow and develop during the next 10 years and includes policies that guide decisions on all planning applications. It provides certainty for communities and investors alike about where development should and should not take place and the supporting infrastructure required for growth.
There is also a statutory requirement (refer Section 21 of Part 2 (Development Plans) of the Planning etc. (Scotland) Act 2006) to prepare an Action Programme (AP) to support delivery of the LDP. The AP details the actions required to ensure delivery of the LDP. The Council has chosen to go beyond the statutory requirements and to use the AP as a corporate document to co-ordinate housing development proposals with the infrastructure and service requirements (such as schools and transport) needed to support them.

The first draft of LDP was published in March 2013 and was based on the regional Strategic Development Plan (SESplan) that was approved by Scottish Ministers (with changes in relation to increased housing requirements) in June 2013. These changes to SDP led to the development of the second proposed LDP in June 2014. Representations were accepted from August to October 2014, and the plan was submitted to Scottish Ministers in June 2015, with modifications received in June 2016. These modifications were incorporated into the revised plan that was formally adopted by the full Council on 24 November 2016, with the AP formally adopted by the Planning Committee on 8 December 2016.The risks associated with the LDP and its Action Programme are significant in terms of finance, reputation, and the Council's performance in relation to its statutory duties as Planning, Roads and Education Authority.

Scope

The scope of this review was to assess the design and operating effectiveness of the Council's framework and controls over the development, approval and delivery of the LDP and AP.

Summary of High Risk Findings

1. Local Development and Action Plan governance arrangements

Finding

Separate governance structures were established to support development of both the LDP and supporting AP. Our review of these governance arrangements established that:

1. LDP governance arrangements were documented in the LDP project initiation document, dated April 2010. The LDP was adopted in November 2016 however the governance arrangements were not revisited or reviewed during this period to confirm that they remained appropriate.
2. Meeting frequency – The AP Board and Oversight group should meet monthly and quarterly respectively. No AP Board meetings were held between Jan 2016 - May 2016 and Dec 2016 - Jan 2017. The AP Oversight Group only met twice during 2015 (March and July). The LDP Steering Group is designed to meet once in two months but no meetings were held between January and May 2016. The rationale for missing these meetings was not documented.
3. Management Information – No defined Management Information (MI) was provided to either LDP or AP governance forums to enable progress tracking and inform decision making, with the exception of the risk register submitted to LDP Steering Group meetings. For all LDP and AP governance forums, updates were verbally discussed in the meeting and then documented in the minutes.
4. Risk Registers - Review of LDP and AP risk registers and governance meeting minutes established that:
    - LDP governance arrangements specified that the risk register should be updated prior to each Steering Group meeting to enable a focussed discussion on risks. Review of a sample of 4 meetings established that the risk register had not been updated prior to the October and December 2016 meetings, and that the August 2016 meeting minutes include no evidence of a risk register discussion.
    - The last LDP Steering Group meeting was held on 12 December 2016 following adoption of the LDP by the Council in November 2016, however, the LDP risk register has not yet been closed down and outstanding actions / unresolved risks were not transferred across to the AP governance framework.
    - The AP risk register was created in April 2016 but was not reviewed or approved by either the Head of Planning or the AP governance forums.
5. Issues and Dependencies that could impact development of the LDP and AP were not recorded and reported to governance forums.
6. Communication between LDP and AP Governance Forums - No formal arrangements were established between LDP and AP governance forums to ensure that information regarding the decisions made in these forums and their potential impacts was shared. Instead, knowledge sharing was based on the working knowledge and relationships among Planning team members.
7. LDP steering group progress tracking - Tracking progress of previous meeting's action points is a standing agenda item for the LDP steering group. Review of 2 meetings held in September and December 2015 noted that action points from the previous meeting had not been tracked.
8. Stakeholder Engagement and Communication – No communication strategy or plan was developed and presented to LDP and AP governance forums detailing the Council's approach to engage with relevant stakeholders.

Business Implication

- Delayed or ineffective decision making.
- Lack of alignment between LDP and AP.
- Crystallisation of risks, issues and dependencies that have not been identified and managed that could impact on or delay completion of the LDP and AP.
- Delayed completion / finalisation of LDP and AP where action points are not addressed in a timely manner.

- Potential risk that stakeholders are not consulted or engaged when required.

Recommendations

The following recommendations should be considered for implementation now (where appropriate) to ensure effective implementation of Action Programmes, and to support development of the next LDP. Planning to support development of the next LDP is due to commence in December 2017 – the target for an agreed project plan is March 2018.

1. Governance arrangements should be reviewed on an annual basis by the chair and members of steering group during to confirm that they remain appropriate. Any change required as part of developments/changes in project should be reflected in its governance arrangements.
2. If a governance meeting is not required, the rationale for cancelling the meeting should be documented.
3. Roles, responsibilities and expectations regarding quality and timelines for deliverables should be formally clarified for all Service Areas involved in the LDP and AP process.
4. The Chair and the members of LDP and AP governance forums should specify the management information and reports to be presented at each meeting to support their oversight and decision making.
5. A risks, issues and dependencies register should be created, regularly updated and discussed at appropriate governance forum to ensure that all risks, issues and dependencies have been identified and are being managed.
6. The LDP risk register should be reviewed to confirm whether all outstanding risks have been addressed. Any risks not yet addressed should be transferred to the relevant AP governance forum for resolution. The AP risk register will also be reviewed, updated, presented and discussed at the appropriate AP governance forums.
7. Governance forums should maintain a list of open actions that are tracked with their resolutions discussed at subsequent meetings.
8. All key stakeholders should be identified and a long term communications plan or strategy defined, approved by governance forums and implemented. This should outline the approach and frequency of engagement with the key stakeholders identified.

Agreed Management Actions	**Target Date**	**Status**
1. Review the LDP risk register at the next relevant governance meeting to confirm that risks have either been addressed or will be transferred across into AP.	31/10/17	Validation
2. Agree project plan for LDP 2 project which implements above recommendations.	30/03/18	Open
3. Action Programme – review governance arrangements, agree Management Information, prepare and agree Risk, Issues and Dependency Register, agree Communications Plan.	30/03/18	Open

Status of actions due will be validated by Internal Audit as part of the follow-up review process.

2. Financial Modelling

Finding

Development costs for healthcare and transport infrastructure requirements were prepared by NHS Lothian and the Council's transport service area respectively. The healthcare costs were not independently reviewed and assessed by the Council, and no granular detail is available to support calculation of the transport costs.

Whilst potential funding LDP funding gaps had been highlighted to the Finance and Resources Committee in January and August 2015, financial modelling to determine and quantify the level of funding required to support infrastructure investment was completed in April 2017. Outcomes from the modelling process were presented in draft to the LDP Oversight Group in June 2017, six months after approval and publication of the LDP and supporting APs in December 2016 and highlighted a total funding requirement of £148M over the ten year lifespan of the LDP (after accounting for potential developer contributions).

Whilst there is no regulatory requirement to confirm that funding is available prior to publication of the LDP as per the Planning etc. (Scotland) Act 2006, it would be beneficial to understand potential LDP funding gaps prior to publication. or plan was developed and presented to LDP and AP governance forums detailing the Council's approach to engage with relevant stakeholders.

Business Implication

Inability to source funding to support implementation of the infrastructure proposals included in the published LDP

Recommendations

1. Costs supporting LDP infrastructure proposals should be reviewed, challenged and approved by the relevant LDP and AP governance forums prior to commencement of financial modelling.
2. Funding gaps identified should be escalated to CLT and the Finance and Resources Committee together with proposals to source the funding required.
3. For the next LDP, financial modelling should be performed in conjunction with LDP/AP development, and (if statutory timeframes permit) the funding plan

Agreed Management Actions	Target Date	Status
1. Challenge of infrastructure proposals will be performed at the LDP Action Programme oversight group.	30/03/18	Open
2. Complete and agree Financial Model of 2018 LDP Action Programme	30/03/18	Open
3. Annual Report to CLT and F&R Committees	30/03/18	Open
4. Prepare update to Financial Model in line with next LDP project plan.	30/03/18	Open

Status of actions due will be validated by Internal Audit as part of the follow-up review process.

Governance, Risk and Best Value Committee

10.00am, Tuesday 16 January 2018

Edinburgh Health and Social Care Partnership – Update on Financial Position of City of Edinburgh Council Services - referral from the Finance and Resources Committee

Item number	7.3
Report number	
Wards	All

Executive summary

On 7 November 2017 the Finance and Resources Committee considered a report that provided a service-specific update on the Council's financial position for Health and Social Care. The report has been referred to the Governance, Risk and Best Value Committee for consideration as part of its work programme.

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Terms of Referral

Edinburgh Health and Social Care Partnership – Update on Financial Position of City of Edinburgh Council Services

Terms of referral

1.1 On 28 September 2017 the Finance and Resources Committee considered the in-year, Council-wide revenue monitoring report for 2017/18 which highlighted a potential full year overspend of £9.1m for Health and Social Care.

1.2 On 7 November 2017 a services-specific update on Health and Social Care was provided which outlined the work being undertaken to identify and deliver appropriate mitigating actions. There had been an improvement in the projected overall in-year position although further pressures in Health and Social Care that would require concerted and sustained action to regain financial stability had been highlighted. Details of management actions which had been initiated were provided.

1.3 The Finance and Resources Committee agreed:

1.3.1 To note the current financial forecast for Health and Social Care, which was based on current levels of service delivery.

1.3.2 To note the potential additional cost of unmet need.

1.3.3 To note that work was ongoing to assess the level of increasing demand and unmet need and to evaluate opportunities for financial savings and demand management, and that the Interim Chief Officer would provide regular updates on progress to the Finance and Resources Committee.

1.3.4 To refer the report by the Executive Director of Resources to the Governance, Risk and Best Value Committee as part of its work programme.

For Decision/Action

2.1 The Finance and Resources Committee has referred the report to the Governance, Risk and Best Value Committee on 28 November 2017 for consideration as part of its work-programme.

Background reading / external references

Finance and Resources Committee 7 November 2017.

Laurence Rockey

Head of Strategy and Insight

Contact: Louise Williamson, Assistant Committee Clerk

E-mail: louise.p.williamson@edinburgh.gov.uk | Tel: 0131 529 4264

Links

Appendices	Appendix 1 - report by the Executive Director of Resources Appendix 2 – Edinburgh Health and Social Care Partnership Change Programme and Improvement Programme Summary

APPENDIX 1

Finance and Resources Committee

10.00am, Tuesday 7 November 2017

Edinburgh Health and Social Care Partnership – Update on Financial Position of City of Edinburgh Council Services

Item number

Report number
Executive/routine
Wards
Council Commitments

Executive Summary

At its meeting on 28 September, the Finance and Resources Committee considered an update on the in-year, Council-wide revenue monitoring for 2017/18. Based on projections at month 5 and taking account of mitigating actions identified, the report advised of a potential full-year overspend of £9.1m for Health and Social Care. The projected overspend reflected significant demand-led pressures, together with £6.0m of slippage on planned demand management savings initiatives. The forecast represented an increase of £2m compared to the period 3 position, and reflected service levels at period 5, with no provision for any further uplift in activity. Given the seriousness of this position, members of the Committee asked the Interim Chief Officer of the Edinburgh Health and Social Care Partnership to provide a service-specific update to the Committee on 7 November.

Work to identify and deliver appropriate mitigating actions is continuing apace. This report notes an improvement in the projected overall in-year position, albeit highlighting further pressures in Health and Social Care that will require concerted and sustained action to regain financial stability. Several management actions have been initiated and these are detailed in the report. Significant and long-standing pressures are evident in the current financial position. Returning to balance will require major redesign of services, radical changes in thinking and approach, and the involvement of all partners and stakeholders.

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Report

Edinburgh Health and Social Care Partnership – Update on Financial Position of City of Edinburgh Council Services

1. Recommendations

1.1. The Finance and Resources Committee is asked to:

1.1.1. note the current financial forecast for Health and Social Care, which is based on current levels of service delivery

1.1.2. note the potential additional cost of unmet need

1.1.3. note the range of mitigation measures instigated by the Interim Chief Officer

1.1.4. note that work is ongoing to assess the level of increasing demand and unmet need and to evaluate opportunities for financial savings and demand management, and that the Interim Chief Officer will provide regular updates on progress to the Finance and Resources Committee

1.1.5. refer this report to the Governance, Risk and Best Value Committee as part of its work programme.

2. Background

2.1 At its meeting on 28 September, the Finance and Resources Committee considered the in-year, Council-wide revenue monitoring report for 2017/18. Based on projections of expenditure and income and taking account of mitigating actions identified, the report highlighted a potential full year overspend of £9.1m for Health and Social Care. Given the seriousness of this position, members of the Committee asked the Interim Chief Officer of the Edinburgh Health and Social Care Partnership to provide a service specific update to the Finance and Resources Committee on 7 November.

3. Main report

3.1 In recognition of the level of concern about the financial position, the Interim Chief Officer undertook to provide a service-specific update to the Finance and Resources Committee as a matter of priority. The Partnership faces considerable

pressures to meet financial targets, deliver approved savings programmes and operate within established budgets. It also faces significant levels of unmet need, which, if addressed with current models of provision, would increase pressure on the financial position.

3.2 Increasing demand, failure to implement previously approved savings / demand management programmes, together with significant and growing waits for assessment and service have placed extreme strain on the budget. The Partnership faces growing numbers of people waiting for services. As of 16 October 2017, 169 people were delayed in hospital, 700 people were waiting in the community for c7,000 hours of service and assessments were outstanding for 1,836 people.

3.3 These demand-led pressures and non-delivery of approved savings are reflected in the latest year-end forecast position for the Partnership's Health and Social Care services, which shows an overspend of £9.1m. This is after application of a £2.25m allowance for demographic growth from the Edinburgh Integration Joint Board (EIJB) and demonstrates a deterioration from the position reported at month 3. A summary is given in table 1 below:

	Period 5 Forecast Variance
Employees	(£1.0m)
Purchasing	£9.75m
Transport	£0.25m
Supplies (Legal)	£0.4m
Transfer Payments	£0.2m
Income	(£0.5m)
Net Expenditure	**£9.1m**

Table 1: Health and Social Care forecast outturn 2017/18

3.4 This forecast reflects service levels at period 5 and *does not* include provision for any further uplift in activity, either in terms of increased baseline demand or through addressing the waiting lists.

3.5 The EIJB will review the extent to which uncommitted financial plan funding can be reprioritised in year. A proposal to release a further £2m from inflation provisions that are no longer required to partly offset the financial implications of demographic growth will be presented to the EIJB on 17 November. If agreed, this would reduce the projected overspend to £7.1m. Work is continuing to identify further opportunities to reduce the level of projected overspend.

3.6 Members will be aware that the most recent Council-wide revenue monitoring update considered by the Finance and Resources Committee on 28 September 2017 indicated that without further remedial action, there would be a potential

overall year-end overspend of £4.0m, representing the net effect of significant overspends in Health and Social Care (£9.1m) and other Council services (£3.5m), offset by one-off savings (or savings already assumed in the budget framework in future years) of £8.6m.

3.7 In light of the projected position at that time, the report confirmed that a further tightening of financial and workforce controls had been implemented. When combined with a review of discretionary expenditure priorities, the identification of the proposed additional contribution of £2m from the Social Care Fund, and active management of risks and pressures for the remainder of the year, it is anticipated that this will allow a projected balanced position for the Council to be reported to the Finance and Resources Committee's November meeting.

3.8 While the improvement in the overall projected position of the Council is to be welcomed, underlying pressures in Health and Social Care require to be addressed on a sustainable basis to ensure a stable longer term financial position. The Council's financial strategy for 2018/19, as reported to Finance and Resources Committee on 27 October 2017, seeks the identification of savings sufficient to address the underlying structural pressures of £7.1m in Health and Social Care. Specific savings proposals totalling £1.1m relating to disability day services alignment, discretionary expenditure, and legal services have been identified, and are included in the Council's proposals for budget engagement. A £3m savings target for Health and Social Care, representing savings originally planned for delivery in earlier years, has been set for 2018/19, and updates on development of specific initiatives will be provided through regular reports to Committee. The net effect of the above additional funding and assumed additional savings would result in an uplift of £3m in the Council's baseline offer to the EIJB for 2018/19, with compensating savings proposed across other Council services.

3.9 It is in this context that the Council Leadership Team and Partnership Senior Management Team have identified a series of mitigating actions. Some of these initiatives will deliver reductions in the cost base, whilst others will support the management of capacity, seeking to increase service delivery without additional costs. An important element of this approach is the reinvigoration of previously agreed schemes (reablement, telecare and brokerage), together with development of a pipeline of prioritised projects. Specifically, the Interim Chief Officer, supported by the Senior Management Team, has:

3.9.1 developed and agreed a "Statement of Intent", which sets out the challenges facing the Partnership and begins to articulate how efforts will be prioritised to tackle them

3.9.2 established a Savings Governance Board, chaired by the Interim Chief Finance Officer for the Edinburgh Integration Joint Board with a remit to support the development and oversee the implementation of the savings and recovery programme across all Partnership services; membership of the board includes senior leadership from the Partnership, with support from

finance staff from the Council and NHS Lothian and an experienced Council project manager.

3.9.3 *Targeted reablement* – the criteria for entry to the reablement service, which had been relaxed in response to delayed discharge pressures, has been reinstated. Locality Managers have been tasked with discharging those services users who have been reabled successfully into mainstream services and ensuring only new service users who meet the criteria enter the reablement service. As a result, the average package of care should be reduced in line with the target of 45%. Benefits are currently tracking at 49%. There is an additional opportunity to reduce the unit cost of the service through improved productivity. The proposal for this is being developed and is anticipated to realise in year benefits.

3.9.4 *Telecare* – a detailed implementation plan is being developed to provide telecare services to new service users each month, thereby reducing reliance on care at home and care and support services. The project delivery team is working with locality teams to identify the cohorts of service users and accelerate progress.

3.9.5 *Support planning and brokerage* – three interrelated work streams have been developed in the scope of this scheme. First, delivery plans are being finalised for the North-East locality test of change, which focuses on developing the asset-based approach to assessment and support planning for a targeted number of people. The scope includes older people, people with learning disabilities, physical disabilities and mental health problems, and is due to 'go live' from 4 December.

3.9.6 *Care at home and care and support services* – pending full implementation of the schemes detailed above, Locality Mangers have been tasked with reviewing all extant packages of care. This incorporates a review of all high cost packages of care, sleepover arrangements, overnight services and a parallel review of the productivity of in house services. Work has been commenced to consider alternative models to address the contractual issues and increase capacity.

3.9.7 *Workforce* – as above, there are several strands to this work stream, including: the instigation of staffing controls, with all vacancies being authorised by the executive management team; increased controls over the use of all supplementary staffing, with all requests for agency cover now signed off by Cluster Managers; "star chambers" held with care homes to address budget overspends; a review of the options to support robust rota management; scrutiny of all current vacancies and fixed-term contracts with a view to identifying potential efficiencies; and an acceleration of appropriate elements of the phase 3 organisational review.

3.9.8 *Development of specific savings initiatives* – as noted in paragraph 3.8, a savings target of £3m is assumed in the Council's budget proposals for

2018/19, and specific initiatives will be developed with updates provided to Committee. Areas under consideration include: further staff savings through enhanced workforce controls; comprehensive review of charges; a review of services, including homecare and reablement; and a review of grants.

3.9.9 *Supplies and procurement* – a General Supplies Group, supported by Procurement, will be established with a remit to ensure best value is delivered for all products that are either high volume/low cost or high cost/low volume. A one-off review of inventory will be undertaken and opportunities to introduce a "top-up" system in care homes will be investigated. A similar approach has yielded results previously in NHS Lothian, and this project will be supported by senior managers from the Royal Infirmary of Edinburgh.

3.9.10 *Internal controls* – a number of actions have been initiated to strengthen internal controls: an internal audit review to assess the adequacy and effectiveness of controls established across Health and Social Care to support home care service delivery has been added to the 2017/18 internal audit plan at the request of the Interim Chief Officer and Council Head of Finance; work is underway to develop a weekly management dashboard highlighting movements in service volumes; a monthly process to cleanse commitment data in Swift has been agreed to support financial monitoring; and weekly reports are now being issued to Locality Managers providing details of all new commitments approved through Direct Payments and Individual Service Funds.

3.9.11 The Interim Chief Officer has initiated a review of all uncommitted funds within the Social Care Fund and Integrated Care Fund and an update will be reported to the EIJB on 17 November.

3.9.12 An Assessment and Review Board has been established, and this group will lead on the development of a plan to prioritise outstanding assessments. An update on this matter, including proposed funding arrangements, will be reported to EIJB on 17 November.

3.9.13 *Budget realignment and budgetary control* – work is ongoing to realign budgets, expenditure and commitments to reflect new organisational structures to provide the basis for effective ongoing financial management by senior managers.

3.9.14 *Other schemes* – several miscellaneous projects are also underway, including a targeted exercise to increase clawback of direct payments that are no longer required; a review of transport arrangements in line with the Council-wide transformation project, and scrutiny of all discretionary expenditure.

3.10 The cost of assessing and providing services for all the people who are waiting is significant. It is not possible to estimate the exact figure with accuracy, given that: needs change over time; some assessments will result in no service being required

and others will lead to a wide range of demand; however, an initial estimate indicates that costs might be in the region of £20m over two financial years.

4. Measures of success

4.1 Achieving a balanced overall budget outturn position for 2017/18 at the same time as delivering key service performance indicators carries a high risk. The measure of success is therefore defined as ensuring no additional growth in the overspend and reducing costs wherever possible.

5. Financial impact

5.1 Delivery of a balanced budget in any given year is contingent on the development and subsequent delivery of robust savings, alongside management of all risks and pressures, particularly those of a demand-led nature.

5.2 The Council's Financial Regulations set out Chief Officer, Executive Director and Senior Manager responsibilities in respect of financial management, including regular consideration and ongoing active management of delegated service budgets.

6. Risk, policy, compliance and governance impact

6.1 The delivery of a balanced budget outturn for the year is the key target. The risks associated with cost pressures, increased demand and savings delivery targets are regularly monitored and reviewed and management action is taken as appropriate. Despite this overview, however, it is not possible to mitigate all the risks associated with the delivery of a balanced budget when this is constrained by the reductions in public expenditure required by the government's financial settlements.

6.2 Regular updates on the financial position will be considered by the Partnership management team, Council Leadership Team, Council Committees and the EIJB.

7. Equalities impact

7.1 While there is no direct additional impact of the report's contents, all budget proposals are now subject to an initial relevance and proportionality assessment and, where appropriate, a formal Equalities and Rights Impact Assessment is then undertaken. The equalities and rights impacts of any substitute measures identified to address savings shortfalls are similarly assessed.

8. Sustainability impact

8.1 While there is no direct additional impact of the report's contents, the Council's revenue budget includes expenditure impacting upon carbon, adaptation to climate change and contributing to sustainable development. In addition, all budget proposals are now subject to an upfront assessment across these areas.

9. Consultation and engagement

9.1 The Corporate Leadership Team has formally reviewed and discussed the in-year monitoring position and year-end projection. The Chief Executive has tasked Executive Directors with identifying mitigating actions to address in-year pressures and to review opportunities for additional savings proposals.

9.2 There is no external consultation and engagement arising directly from this report, although the Council's budget continues to be subject to a process of regular consultation and engagement.

10. Background reading/external references

10.1 Revenue Budget Monitoring 2017/18 – update: Report to Finance and Resources Committee, 28 September 2017

Michelle Miller

Interim Chief Officer

Contact: Moira Pringle, Head of Finance – Edinburgh Integrated Joint Board

E-mail: Moira.Pringle@nhslothian.scot.nhs.uk | Tel: 0131 469 3867

John.connarty@edinburgh.gov.uk | Tel: 0131 469 3188

11. Appendices

None

APPENDIX 2

EDINBURGH HEALTH AND SOCIAL CARE PARTNERSHIP CHANGE PROGRAMME

Last updated 30/11/2017

Division	Scheme Number	Scheme Name	Scheme Classification	Project Description	NHSL/ CEC impacts?	Governance Route	SRO	Lead	Priority Level: High Medium Low	Stage? 1. Pipeline 2. In development 3. In delivery 4. Complete	Target completion date	Resource Required to Deliver	Resource in Place? Gaps?	FY17/18 if appropriate		FY 18/19 if appropriate	
														Savings Plan value ('000s)	Savings Forecast outturn ('000s)	Savings Plan value ('000s)	Savings Forecast outturn ('000s)
EHSCP	EHSCP_001	Workforce strategy and delivery plan	**Doing the Basics Well (People, Values and Culture)**	Overall strategy and plan to address workforce issues and develop agreed culture for the partnership, agreed between CEC and NHSL and reflecting specific context and needs of the partnership.	**Both**	EHSCP Change Programme Board	**Michelle Miller**	**Pat Wynne**	**High**	1. Pipeline	31/03/2018	Internal business change, project management and HR support	Internal resource identified	N/A	N/A	N/A	N/A
EHSCP	EHSCP_002	Development and implementation of a Joint Training and Development Plan	**Doing the Basics Well (People, Values and Culture)**	Development and Implementation of a Joint Training and Development Plan, with a particular focus on: 1. Development of a structured induction programme 2. Operational Management Training 3. Leadership Development	**Both**	EHSCP Change Programme Board	**Michelle Miller**	**Peter Collins**	**High**	1. Pipeline	31/03/2018	Internal business change, project management and HR/LD support	HR/LD resource still to be confirmed	N/A	N/A	N/A	N/A
EHSCP	EHSCP_003	Communications and Engagement Plan	**Doing the Basics Well (People, Values and Culture)**	The development and roll out of an integrated communications and engagement plan for the partnership, to include internal communications with staff and stakeholders and external communications, including web presence.	**Both**	EHSCP Change Programme Board	**Michelle Miller**	**Ann Duff**	**High**	2. In development	31/12/2017	Internal project management and communications support	Comms support in place Project management resource to be identified	N/A	N/A	N/A	N/A
EHSCP	EHSCP_004	Improving performance: managing sickness absence	**Doing the Basics Well (People, Values and Culture)**	Addressing sickness absence rates across the partnership, ensuring policy and procedures are followed; targeted interventions for problems areas; support and training for managers to equip them to better manage absence;	**Both**	EHSCP Change Programme Board	**Michelle Miller**	**Pat Wynne**	**High**	2. In development	31/03/2018	Internal business change, project management and HR support	HR and business change support in place Project management needs to be identified	N/A	N/A	N/A	N/A
EHSCP	EHSCP_005	Improving performance: managing individual performance	**Doing the Basics Well (People, Values and Culture)**	Defining the values, behaviours and standards we expect from our team members; ensuring that organisational objectives are set and that team and individual objectives are developed to support delivery of these. Ensure all team members have SMART objectives, development plan, clear line management arrangements, appropriate infrastructure	**Both**	EHSCP Change Programme Board	**Michelle Miller**	**Pat Wynne**	**High**	2. In development	31/12/2017	Internal business change, project management and HR support	HR and business change support in place Project management needs to be identified	N/A	N/A	N/A	N/A
EHSCP	EHSCP_006	Improving performance: Home Care and Reablement	**Doing the Basics Well (People, Values and Culture)**	Specific project to address performance and efficiency in the home care service. To look at reducing sickness absence rates and maximising contact time to release savings and create capacity to address unmet need.	**CEC**	EHSCP Change Programme Board	**Michelle Miller**	**Julie McNairn**	**High**	1. Pipeline	31/03/2018	Internal business change, project management and HR support	Internal business change, project management and HR support in place	£0	£0	TBC	TBC
EHSCP	EHSCP_007	Locality Working - Infrastructure	**Doing the Basics Well (People, Values and Culture)**	Ensuring basic infrastructure is in place to enable locality working. To include accommodation, systems and ICT requirements (including re-configuration of Swift).	**Both**	EHSCP Change Programme Board	**Michelle Miller**	**TBC**	**High**	1. Pipeline	31/12/2017	Internal business change, project management, ICT and business support	Project management support needs to be identified	N/A	N/A	N/A	N/A
EHSCP	EHSCP_008	Improving Relationships	**Improving Relationships**	Programme of work to improve the Partnership's relationships with NHS Lothian, the Council, the voluntary and independent sectors and partners IJBs, as well as Scottish Government, COSLA and scrutiny bodies.	**Both**	EHSCP Change Programme Board	**Michelle Miller**		**High**	2. In Development	Ongoing	TBC		N/A	N/A	N/A	N/A
EHSCP	EHSCP_009	Establish performance reporting framework	**Developing a Performance Framework**	Agree the metrics to be reported to the IJB and those for the EHSCP which will be reported to SMT. Establish processes to allow us to measure and report performance against metrics clearly and concisely, with a focus on action and improvement. Ensure that performance can be measured and reported at locality level.	**Both**	EHSCP Change Programme Board	**Colin Briggs**	**Eleanor Cunningham**	**High**	3. In delivery	31/12/2017	Internal Strategy and Insight resource	Internal Strategy and Insight resource in place	N/A	N/A	N/A	N/A
EHSCP	EHSCP_010	Establish Savings Governance Board and approach	**Establishing a Financial Framework**	Re-establish savings governance board and monitor progress to hold team members to account.	**Both**	Savings Governance Board	**Moira Pringle**	**Jess Brown**	**High**	3. In Delivery	31/10/2017	Internal programme management and Finance support	Internal programme management and Finance support in place	N/A	N/A	N/A	N/A
EHSCP	EHSCP_011	Delegation of Financial Resources	**Establishing a Financial Framework**	Workstream will plan and implement the delegation of financial resources to localities as appropriate (both staffing and purchasing budgets). It will ensure mechanisms are in place to generate reliable locality budget and spend data. It will provide clarity on financial expectations and accountability for delivering and will include support and training for managers where required.	**Both**	Savings Governance Board	**Moira Pringle**	**Kenny Raeburn/Mike Porteous**	**High**	2. In development	30/06/2018	Internal finance support	Internal finance support in place	N/A	N/A	N/A	N/A

Division	Scheme Number	Scheme Name	Scheme Classification	Project Description	NHSL/ CEC impacts?	Governance Route	SRO	Lead	Priority Level: High Medium Low	1. Pipeline 2. In development 3. In delivery 4. Complete	Target completion date	Resource Required to Deliver	Resource in Place? Gaps?	Savings Plan value ('000s)	Savings Forecast outturn ('000s)	Savings Plan value ('000s)	Savings Forecast outturn ('000s)
EHSCP	EHSCP_012	Audit of Budget Management	**Establishing a Financial Framework**	Internal Audit are conducting an audit of Home Care budget management. An early priority will be to review arrangement for assessment and authorisation of Individual Service Funds (ISF's) and Direct Payments (DP's) where increases in financial commitments are material.	**CEC**	Savings Governance Board	**Michelle Miller**	**Lesley Newdall**	**High**	3. In Delivery	22/12/2017	Internal Audit and Finance support	Internal Audit and Finance support in place	N/A	N/A	N/A	N/A
EHSCP	EHSCP_013	Ledger Improvements	**Establishing a Financial Framework**	Workstream will progress the development of a client based structure in the ledger system which will allow the production of enhanced management information, reporting budget and actuals by client group/service type, whilst also allowing for faster and more accurate responses to Freedom of Information requests.	**CEC**	Savings Governance Board	**Moira Pringle**	**Kenny Raeburn**	**Medium**	3. In Delivery	30/06/2018	Internal finance support	Internal finance support in place	N/A	N/A	N/A	N/A
EHSCP	EHSCP_014	Review of Charging	**Establishing a Financial Framework**	Review of all CEC service charges with decisions on charges in 2018-19 to be confirmed in February 2018 through the 2018-19 budget process. This will include a comprehensive review of Care Home charges.	**CEC**	Savings Governance Board	**Moira Pringle**	**Karen Dallas**	**High**	3. In Delivery	31/12/2017	Internal finance support	Internal finance support in place			TBC	TBC
EHSCP	EHSCP_015	Support Planning and Brokerage	**Delivering Financial Sustainability**	Savings based around - delivering city wide interventions through transition of provider led review for existing service users thereby reducing package of care by 5% - Delivering test of change in North east through self directed support options and budget management controls as well as cost controls thereby reducing packages of care by 10% for all cohorts	**CEC**	Savings Governance Board	**Moira Pringle**	**Angela Lindsay**	**High**	3. In delivery	31/03/2019	Ernst & Young support	Ernst & Young support in place	£876	£584	£1,431	£1,431
EHSCP	EHSCP_016	Telecare Expansion	**Delivering Financial Sustainability**	The telecare project will deliver preventative Telecare Services to 3,000 additional service users over a 18 month period to realise approx. £7m/yr. in financial savings	**CEC**	Savings Governance Board	**Moira Pringle**	**Katie McWilliam**	**High**	3. In delivery	31/03/2019	Ernst & Young support Project manager	Ernst & Young support in place Project manager identified and due to start	£1,324	£1,324	£6,951	£6,951
EHSCP	EHSCP_017	Reablement	**Delivering Financial Sustainability**	Implementation of criteria led discharge to facilitate reductions in packages of care sizes	**CEC**	Savings Governance Board	**Moira Pringle**	**Marna Green**	**High**	3. In delivery	31/03/2019	Ernst & Young support	Ernst & Young support in place	£1,424	£770	£2,136	£2,136
EHSCP	EHSCP_018	Review of Transport Packages	**Delivering Financial Sustainability**	Review of the top 50 most expensive transport packages in Health and Social Care to identify financial savings from alternative packages	**CEC**	Savings Governance Board	**Moira Pringle**	**Mark Grierson**	**High**	2. In development	31/03/2018	To be dealt with by temp assessment team who are working through backlog - circa £500k requirement over 7 months.	To be dealt with by temp assessment team who are working through backlog - circa £500k requirement over 7 months.	£37	£37	£113	£100
EHSCP	EHSCP_019	Direct Payment Clawback	**Delivering Financial Sustainability**	Reclaim £1.2m in unused direct payment funds	**CEC**	Savings Governance Board	**Moira Pringle**	**Mark Grierson**	**High**	3. In delivery	31/03/2018	Temporary SDS Advisor		£100	£100		
EHSCP	EHSCP_020	Disabilities VERA Reduction (pre Phase 3 cost saving activity)	**Delivering Financial Sustainability**	Release of staff as part of a targeted VERA offer in Disability Day services to ensure staffing resource is matched to current demand	**CEC**	Savings Governance Board	**Moira Pringle**	**Mark Grierson**	**High**	3. In delivery	31/12/2017	Internal HR, project management and finance support	Internal HR, project management and finance support in place	£150	£150	£650	£650
EHSCP	EHSCP_021	Prescribing - pan Lothian target	**Delivering Financial Sustainability**	Delivery of savings though tariff changes and off patent movement of drugs	**NHSL**	Savings Governance Board	**Moira Pringle**	**Locality managers**	**High**	3. In Delivery	31/03/2018	Internal finance support	Internal finance support in place	£1,785	£1,785	£1,785	£1,785
EHSCP	EHSCP_022	Nursing	**Delivering Financial Sustainability**	Reduction in bank and agency use primarily in HBCCC through reinforcing nursing tools e.g. e-rostering and ward dashboards	**NHSL**	Savings Governance Board	**Moira Pringle**	**Pat Wynne**	**High**	3. In Delivery	31/03/2018	Internal finance support	Internal finance support in place	£436	£436		
EHSCP	EHSCP_023	Ward closure	**Delivering Financial Sustainability**	Closure of Balfour Pavilion. Non pay budgets no longer required.	**NHSL**	Savings Governance Board	**Moira Pringle**	**Sheena Muir**	**High**	3. In Delivery	31/03/2018	Internal finance support	Internal finance support in place	£120	£120	£120	£120
EHSCP	EHSCP_024	Prescribing - local target	**Delivering Financial Sustainability**	Savings delivered primarily from 3 schemes: "brown bag" waste scheme, Care Home and >75 polypharmacy scheme, pain management scheme. Additional local / in year savings schemes to be identified at Star Chamber	**NHSL**	Savings Governance Board	**Moira Pringle**	**Locality Managers**	**High**	2. In Development	31/03/2018	Internal finance support	Internal finance support in place	£2,630		£2,360	
EHSCP	EHSCP_025	NW Locality schemes	**Delivering Financial Sustainability**	A range of action to deliver sustainability in North West NHSL local budget	**NHSL**	Savings Governance Board	**Moira Pringle**	**Marna Green**	**High**	2. In Development	31/03/2018	Internal finance support	Internal finance support in place	£312	£87		
EHSCP	EHSCP_026	SW Locality schemes	**Delivering Financial Sustainability**	A range of action to deliver sustainability in South West NHSL local budget	**NHSL**	Savings Governance Board	**Moira Pringle**	**Patrick Jackson**	**High**	2. In Development	31/03/2018	Internal finance support	Internal finance support in place	£318	£181		

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EHSCP	EHSCP_027	NE Locality schemes	**Delivering Financial Sustainability**	A range of action to deliver sustainability in North East NHSL local budget	**NHSL**	Savings Governance Board	**Moira Pringle**	**Angela Lindsay**	**High**	2. In Development	31/03/2018	Internal finance support	Internal finance support in place	£308	£17		
EHSCP	EHSCP_028	SE Locality schemes	**Delivering Financial Sustainability**	A range of action to deliver sustainability in South East NHSL local budget	**NHSL**	Savings Governance Board	**Moira Pringle**	**Nikki Conway**	**High**	2. In Development	31/03/2018	Internal finance support	Internal finance support in place	£307	£18		
EHSCP	EHSCP_029	Rehab	**Delivering Financial Sustainability**	A range of action to deliver sustainability in NHSL Rehab budget	**NHSL**	Savings Governance Board	**Moira Pringle**	**Sheena Muir**	**High**	2. In Development	31/03/2018	Internal finance support	Internal finance support in place	£47	£47		
EHSCP	EHSCP_030	RFU	**Delivering Financial Sustainability**	A range of action to deliver sustainability in NHSL RFU budget	**NHSL**	Savings Governance Board	**Moira Pringle**	**Sheena Muir**	**High**	2. In Development	31/03/2018	Internal finance support	Internal finance support in place	£100	£100		
EHSCP	EHSCP_031	Continence Care	**Delivering Financial Sustainability**	A range of action to deliver sustainability in NHSL continence care budget	**NHSL**	Savings Governance Board	**Moira Pringle**	**Sheena Muir**	**High**	2. In Development	31/03/2018	Internal finance support	Internal finance support in place	£22	£22		
EHSCP	EHSCP_032	Review of grants programme	**Delivering Financial Sustainability**	Full review of grant programme to assess efficiency and outcomes and deliver a 10% saving. (Roll forward of current grants for 2018/19 - 10% saving target to instead be met through innovation funding).	**CEC**	Savings Governance Board	**Moira Pringle**	**Wendy Dale**	**Medium**	2. In development	31/03/2018	Internal finance support	Internal finance support in place	£0	£0	£449	£449
EHSCP	EHSCP_033	Workforce	**Delivering Financial Sustainability**	Develop and embed key workforce controls to ensure that efficient and safe staffing levels are in place whilst reducing expenditure. To include the activity underway as part of the Agency Spend Control project.	**CEC**	Savings Governance Board	**Moira Pringle**	**Pat Wynne**	**High**	2. In development	31/03/2018	Internal business change, project management and HR/LD support	Internal business change, project management in place HR/LD support to be identified	£1,200	TBC	TBC	TBC
EHSCP	EHSCP_034	Milestone House	**Delivering Financial Sustainability**	Project to consider alternative funding approaches for Milestone House.	**CEC**	Savings Governance Board	**Moira Pringle**	**Colin Beck**	**Medium**	1. Pipeline	TBC	Internal business change, project management and finance support	Internal business change, project management and finance support in place	£0	£0	TBC	TBC
EHSCP	EHSCP_035	Telecare 2	**Delivering Financial Sustainability**	Proposal for further expansion of the service, looking at: 1. Integrating additional service offerings into the ATECH24 service 2. Remote monitoring and night support 3. SMART homes and assistive technology 4. Intelligent automation	**CEC**	Savings Governance Board	**Moira Pringle**	**Katie McWilliam**	**Medium**	1. Pipeline	TBC	TBC	TBC	£0	£0	TBC	TBC
EHSCP	EHSCP_036	Adaptations	**Delivering Financial Sustainability**	Consideration of alternative models of service delivery.	**CEC**	Savings Governance Board	**Moira Pringle**	**TBC**	**Medium**	1. Pipeline	TBC	TBC	TBC	£0	£0	TBC	TBC
EHSCP	EHSCP_038	Capacity Planning	**Delivering Financial Sustainability**	To support HSCP through capacity and demand planning to meet the demand for health and social care services for ongoing operational pressures and growth expected in services over next 10 yrs. The outcomes of the project is a clear baseline for activity and finance highlighting the gap in next 10 years, clear understanding of the level of care and support required to sustainably meet demand, functional rather than service led approach to service design and provision with the right mix of person centred care and support, Integrated commissioning strategy that supports sourcing for best value potentially through use of alternative delivery model, realisation of financial savings through service redesign, streamlining and use of alternative delivery models. The key areas of focus are demand prevention, Alternative delivery models for home care, alternative delivery models for internal care homes and redesign of day services.	**CEC**	Savings Governance Board	**Colin Briggs**	**Katie McWilliam**	**High**	1. Pipeline	TBC	Ernst and Young support	Ernst and Young support in place	£0	£0	TBC	TBC
EHSCP	EHSCP_039	Review of Discretionary Spend	**Delivering Financial Sustainability**	Review of all discretionary spend, including supplies, and implementation of controls.	**Both**	Savings Governance Board	**Moira Pringle**	**TBC**	**High**	1. Pipeline	31/03/2018	Internal finance support	Internal finance support in place	£0	£0	£200	£200
EHSCP	EHSCP_040	Review of Legal Fees	**Delivering Financial Sustainability**	Review of external legal fees with a view to introducing a more cost effective model.	**CEC**	Savings Governance Board	**Moira Pringle**	**Kenny Raeburn**	**High**	2. In Development	31/03/2018	Internal finance support	Internal finance support in place	£0	£0	200	200
EHSCP	EHSCP_041	Review of Social Care Fund/Integrated Care Fund	**Delivering Financial Sustainability**	Full review of Social Care Fund/ Integrated Care Fund allocations	**Both**	Savings Governance Board	**Moira Pringle**		**High**	2. In Development	31/03/2018	Internal finance support	Internal finance support in place				
EHSCP	EHSCP_042	Response to the Care Inspectorate Report	**Ensuring Quality**	Review and prioritise each of the recommendations in the inspection report, re-cast the original improvement plan.	**CEC**	EHSCP Change Programme Board	**Michelle Miller**	**Keith Dyer**	**High**	4. Complete	31/10/2017	Quality assurance support	Quality assurance support in place	N/A	N/A	N/A	N/A
EHSCP	EHSCP_043	Response to the Care Inspectorate Report	**Ensuring Quality**	Delivery of action plan to address the recommendations in the inspection report.	**CEC**	EHSCP Change Programme Board	**Michelle Miller**	**Keith Dyer**	**High**	3. In Delivery	31/03/2018	Quality assurance support	Quality assurance support in place	N/A	N/A	N/A	N/A
EHSCP	EHSCP_044	Assessment Backlog	**Ensuring Quality**	Project established to coordinate the approach to clearing the current assessment/review backlogs. Additional resources identified to drive this forward.	**CEC**	Assessment and Review Board	**Michelle Miller**	**Sylvia Latona**	**High**	1. Pipeline	30/06/2018	circa £500k requirement over 7 months for professional/practitioner staff. Programme management support needed.	Funding identified for circa £500k requirement over 7 months for professional/practitioner staff. Programme management support in place	N/A	N/A	N/A	N/A

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EHSCP	EHSCP_045	End to end review of SDS and direct payment processes	**Ensuring Quality**	Specific project to address shortcomings in current DP administration processes. To encourage greater use of payment card and reduce significant manual elements of process currently needed.	**CEC**	Assessment and Review Board	**Michelle Miller**	**Mark Grierson**	**High**	1. Pipeline	30/06/2018	To be confirmed. May be possible for Swift data cleansing team to cover this.	To be confirmed. May be possible for Swift data cleansing team to cover this.	N/A	N/A	N/A	N/A
EHSCP	EHSCP_046	Swift data cleansing/compliance	**Ensuring Quality**	Data cleansing project established to address data quality and business process shortcomings in key systems and areas. Project will focus on: 1. Ensuring meaningful data held on SWIFT that demonstrates good social work practice. 2. Establishing lean consistent business systems created with the initial focus being on the newly created locality teams. 3. Meeting statutory timescales for waiting times for services, allocating cases and effectively managing workloads. 4. Improved financial management systems implemented in Health and Social Care and Joint Partnership working. 5. Improved scrutiny of Key Performance Indicators and exception reporting created and embedded. Additional resource has been identified to undertake this work.	**CEC**	Assessment and Review Board	**Michelle Miller**	**Mary McIntosh**	**High**	2. In Development	31/03/2019	Circa £312k for additional business support staff over a period of 16 months	Circa £312k for additional business support staff over a period of 16 months	N/A	N/A	N/A	N/A
EHSCP	EHSCP_047	Delayed Discharge - Additional Care Home Places	**Ensuring Quality**	There is capacity in the city, however, this is in care homes that are not part of the National Care Home Contract, which means the cost is much higher than standard local authority-funded places. It may be possible to negotiate additional care home placements at a higher rate than the national care home contract, on a strictly one-off basis to relieve pressure on the acute hospitals and to respond to the highest levels of need waiting in the community.	**CEC**	EHSCP Change Programme Board	**Michelle Miller**	**TBC**	**High**	2. In Development	31/03/2018	£3m	£3m recommended to IJB	N/A	N/A	N/A	N/A
EHSCP	EHSCP_048	Older People Strategy	**Developing Strategies**	Development of Older People strategy with robust high level commissioning plan. To set out demand and capacity, investment choices and associated risks. To specifically address: 1. Use of Royal Victoria, Liberton and Royal Edinburgh land 2. use of care homes 3. Implementation plans for MATTs and Hubs 4. Review of domiciliary care services	**CEC**	EHSCP Change Programme Board	**Colin Briggs**	**Katie McWilliam**	**High**	2. In Development	31/12/2017	TBC		N/A	N/A	N/A	N/A
EHSCP	EHSCP_049	Primary Care Strategy	**Developing Strategies**	Development of Primary Care strategy with robust high level commissioning plan. To set out demand and capacity, investment choices and associated risks. To specifically address: 1. prioritised list of capital investments, supported by strategic assessments 2. cluster-by-cluster action list 3. a timescaled investment plan for the workforce	**NHSL**	EHSCP Change Programme Board	**Colin Briggs**	**David White**	**High**	2. In Development	31/12/2017	TBC		N/A	N/A	N/A	N/A
EHSCP	EHSCP_050	Mental Health Strategy	**Developing Strategies**	Development of Mental Health strategy with robust high level commissioning plan. To set out demand and capacity, investment choices and associated risks. To specifically include: 1. a commissioning plan for the Royal Edinburgh Hospital (REH) phase 2b 2. a commissioning plan for the REH phase 2b community services 3. a forward plan for substance misuse services	**CEC**	EHSCP Change Programme Board	**Colin Briggs**	**Colin Beck**	**High**	2. In Development	31/12/2017	TBC	TBC	N/A	N/A	N/A	N/A
EHSCP	EHSCP_051	Disabilities Strategy	**Developing Strategies**	Development of Disabilities strategy with robust high level commissioning plan. To set out demand and capacity, investment choices and associated risks. To specifically include: 1. a commissioning plan for the learning disabilities elements of REH phase 2b 2. a commissioning plan for the community elements of learning disability services associated with REH phase 2b 3. a commissioning plan for phase 2 of the REH campus, specifically for patients with rehabilitation needs	**CEC**	EHSCP Change Programme Board	**Colin Briggs**	**Mark Grierson**	**High**	2. In Development	31/12/2017	TBC	TBC	N/A	N/A	N/A	N/A

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EHSCP	EHSCP_052	Market Shaping Strategy	**Developing Strategies**	The development, enhancement and effective implementation of self-directed support, including brokerage arrangements, are priority actions that underpin the recovery plan and on which performance, quality and capacity depend. Self-directed support will also characterise our market shaping strategy, which is an important element of our work to increase care and support capacity in the city and represents a priority action for the Partnership.	**Both**	EHSCP Change Programme Board	**Colin Briggs**	**TBC**	**High**	1. Pipeline	31/03/2018	TBC	TBC	N/A	N/A	N/A	N/A
EHSCP	EHSCP_053	Second phase development of strategies	**Developing Strategies**	Development of strategies for the following: 1. Carers 2. Long term conditions and prevention 3. Sexual health services 4. Edinburgh Alcohol and Drug Partnership services 5. Palliative Care 6. Acute hospital services under the purview of the IJB These strategies to be developed once priority strategies for older people, primary care, mental health and disabilities are complete.	**Both**	EHSCP Change Programme Board	**Colin Briggs**	**TBC**	**Medium**	1. Pipeline	TBC	TBC	TBC	N/A	N/A	N/A	N/A
EHSCP	EHSCP_054	Review of IJB governance	**Clarifying and Simplifying Governance**	Review how the IJB and its sub committees function and fit together, including remits, agenda setting, forward plans and standing agenda.	**Both**	EHSCP Change Programme Board	**Colin Briggs**	**Wendy Dale**	**High**	2. In Development	30/11/2017	TBC	TBC	N/A	N/A	N/A	N/A
EHSCP	EHSCP_055	Governance of Hosted Services	**Clarifying and Simplifying Governance**	Review and clarify, in conjunction with partner IJBs, how the JB provides governance oversight to NHSL Hosted Services	**Both**	EHSCP Change Programme Board	**Colin Briggs**	**Wendy Dale**	**High**	3. In Delivery	30/11/2017	TBC	TBC	N/A	N/A	N/A	N/A
EHSCP	EHSCP_056	Protocol for parent bodies	**Clarifying and Simplifying Governance**	Develop protocol and guidance to set out how parent bodies can raise issues of clinical, professional, financial, operational or strategic input, both formally and informally.	**Both**	EHSCP Change Programme Board	**Colin Briggs**	**Wendy Dale**	**High**	3. In Delivery	30/11/2017	TBC	TBC	N/A	N/A	N/A	N/A
EHSCP	EHSCP_057	Professional Advisory Committee	**Clarifying and Simplifying Governance**	Clarify the role of the Professional Advisory Committee, including how it is asked for advice, generates work and feeds into other standing sub-committees of the IJB	**Both**	EHSCP Change Programme Board	**Colin Briggs**	**Wendy Dale**	**High**	3. In Delivery	31/12/2017	TBC	TBC	N/A	N/A	N/A	N/A
EHSCP	EHSCP_058	Phase 3 Organisational Review: Community Equipment Service and Community Alarm Telecare Service	**Clarifying and Simplifying Governance**	Design and implement efficient and sustainable staffing structure for CES and CATs	**CEC**	EHSCP Change Programme Board	**Colin Briggs**	**Katie McWilliam**	**High**	2. In Development	31/01/2018	Business change, project management, finance and HR support	Business change, project management, finance and HR support in place	TBC	TBC	TBC	TBC
EHSCP	EHSCP_059	Phase 3 Organisational Review: Social Care Direct and Emergency Social Work Service	**Clarifying and Simplifying Governance**	Review of existing staffing group and implementation of a new sustainable staffing model to support effective and efficient service delivery	**CEC**	EHSCP Change Programme Board	**Colin Briggs**	**Colin Beck**	**Medium**	2. In Development	31/03/2018	Business change, project management, finance and HR support		TBC	TBC	TBC	TBC
EHSCP	EHSCP_060	Phase 3 Organisational Review: Strategic Planning	**Clarifying and Simplifying Governance**	Review of existing staffing group and implementation of a new sustainable staffing model to support effective and efficient service delivery	**CEC**	EHSCP Change Programme Board	**Colin Briggs**	**TBC**	**Medium**	2. In Development	31/03/2018	Business change, project management, finance and HR support		TBC	TBC	TBC	TBC
EHSCP	EHSCP_061	Phase 3 Organisational Review: Disabilities	**Clarifying and Simplifying Governance**	Review of existing staffing group and implementation of a new sustainable staffing model to support effective and efficient service delivery	**CEC**	EHSCP Change Programme Board	**Colin Briggs**	**Mark Grierson**	**Medium**	2. In Development	31/03/2018	Business change, project management, finance and HR support		TBC	TBC	TBC	TBC
EHSCP	EHSCP_062	Phase 3 Organisational Review: Service Matching Unit	**Clarifying and Simplifying Governance**	Review of existing staffing group and implementation of a new sustainable staffing model to support effective and efficient service delivery	**CEC**	EHSCP Change Programme Board	**Michelle Miller**	**Marna Green**	**Medium**	3. In Delivery	31/03/2018	Business change, project management, finance and HR support		TBC	TBC	TBC	TBC
EHSCP	EHSCP_063	Phase 3 Organisational Review: Primary Care	**Clarifying and Simplifying Governance**	Review of existing staffing group and implementation of a new sustainable staffing model to support effective and efficient service delivery	**NHSL**	EHSCP Change Programme Board	**Colin Briggs**	**David White**	**Medium**	2. In Development	TBC	Business change, project management, finance and HR support		TBC	TBC	TBC	TBC

Appendix 2

Edinburgh Health and Social Care Partnership

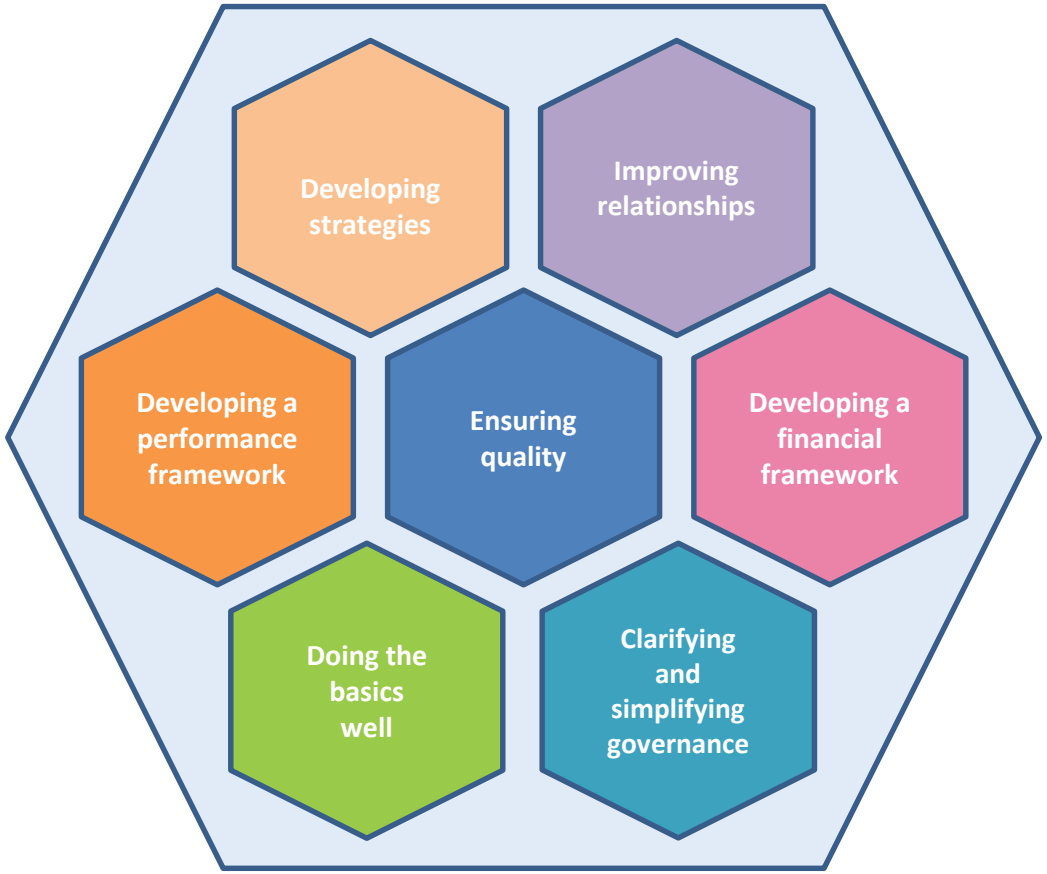
Improvement Programme Summary

December 2017

Working together for a caring, healthier, safer Edinburgh

NHS Lothian · EDINBVRGH · THE CITY OF EDINBURGH COUNCIL

Edinburgh Health and Social Care Partnership
Statement of Intent



The Partnership has developed a change and improvement programme structured around the key themes outlined in the Statement of Intent

The following slides outline the high level detail of the programme and identify the action we will take over the coming months to deliver against our priorities

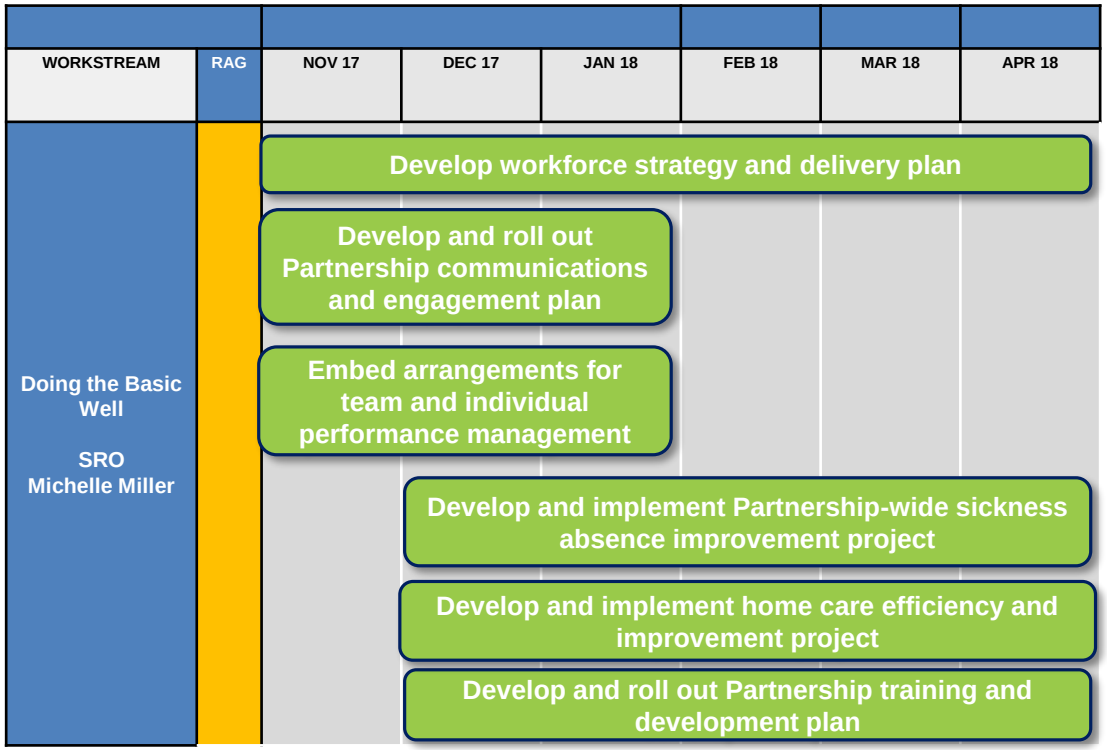
Doing the Basics Well

Doing the basics well

We will identify, develop and deliver the basic organisational norms to allow the Partnership to operate more effectively.

We will:

- define the values, behaviours and standards we expect from all staff at all levels in the Partnership
- ensure that all staff:
  - have SMART objectives aligned to the objectives of the Partnership, clear line management arrangements and a development plan
  - understand the respective roles and responsibilities of the IJB, Health and Social Care Partnership, Council and NHS Lothian



Progress to Date:

A workforce steering group has been established and business change expertise has been provided by Strategy and Insight to support development and implementation of a coherent, integrated workforce strategy and plan.

HR is supporting work to analyse sickness absence levels and plan the approach to improvement.

A project to address efficiency in the internal home care services has been established and added to the savings governance programme.

Improving Relationships

Improving relationships

We will work to improve our relationships with NHS Lothian and the Council, as well as with the voluntary and independent sectors, partner IJBs, service users and their carers. We also need to consider our relationships with the Scottish Government, COSLA, scrutiny bodies and others, and ensure these are productive and positive. We will:

- respond promptly and accurately to requests for information
- meet deadlines
- ensure appropriate attendance at boards and committees
- support locality teams more effectively

WORKSTREAM	RAG	NOV 17	DEC 17	JAN 18	FEB 18	MAR 18	APR 18
Improving Relationships SRO Michelle Miller		Ongoing programme of work to improve relationships					

Progress to Date:

The need to improve our relationships with a range of stakeholders and work more effectively with partners is an ongoing priority for the Partnership. The importance of this has been a key focus in a number of recent management and development sessions and away days.

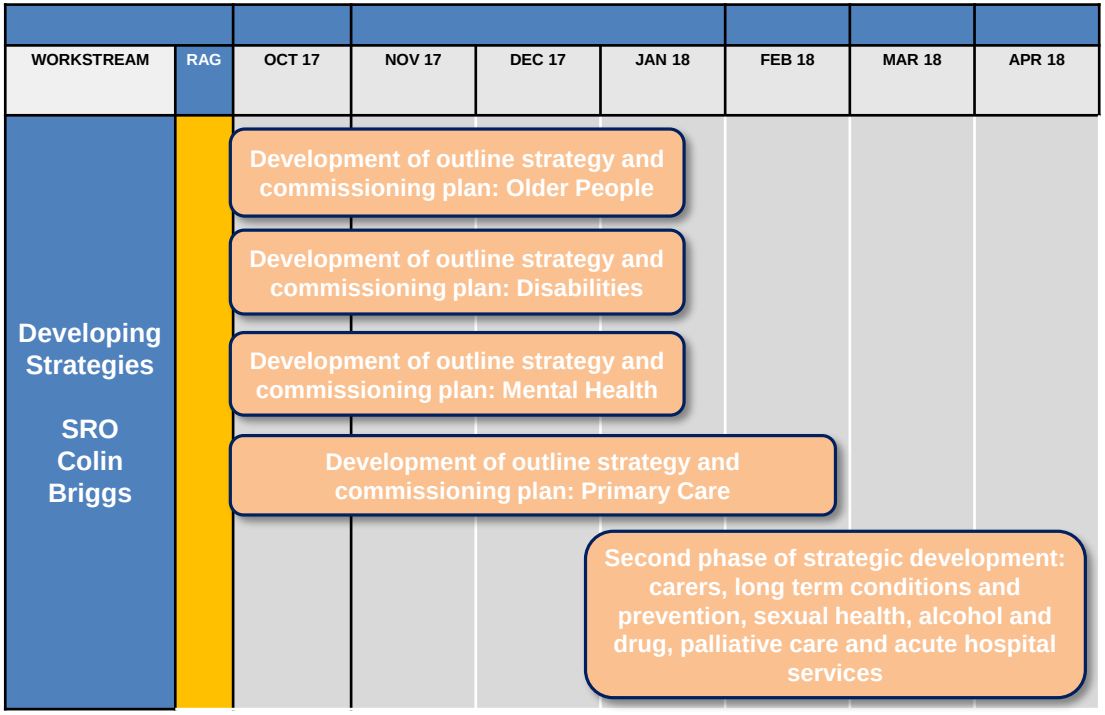
We will continue to prioritise the development and embedding of culture and behaviours, which support effective working.

Developing Strategies

Developing strategies

The Partnership will, by January 2018, deliver strategies for Older People, Disabilities and Mental Health; and by February 2018 for Primary Care. These strategies will set out demand and capacity, investment choices, and the risks associated with each. They will have high-level, but robust commissioning plans embedded in them, and be presented to the IJB for approval. Each strategy will outline:

- an accurate and realistic analysis of our current position
- a statement of where we want services to be in the medium and longer term
- robust analysis of our current demand and capacity
- an outline of required resources
- an action plan for delivery



Progress to Date:

Work is underway to develop the 4 key strategies.

Outline strategic plans for Disabilities, Older People and Mental Health will be presented to the IJB in January. The Primary Care strategic plan will follow in February.

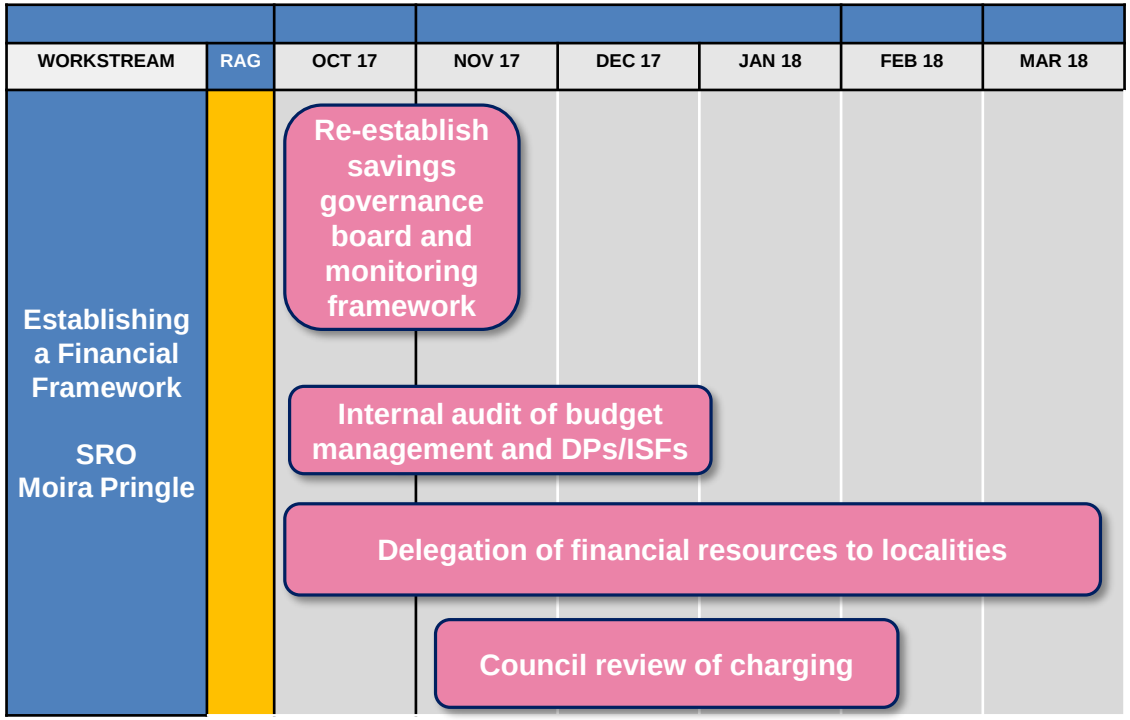
The final plans will be completed by September 2018.

Developing a Financial Framework

Developing a financial framework

We will establish a financial framework that is focused on best use of resources and well managed financial accountability. We will:

- communicate the financial challenge, our options for delivery, and the risks to performance and quality, as widely as we can, including with the public
- couch financial discussions with the IJB in terms of investment (and disinvestment) decisions
- delegate financial resources as appropriate to localities, whilst being clear on financial expectations and the accountability for delivery
- re-establish the 'savings governance group' to monitor progress against agreed actions



Progress to Date

Savings Governance Board and programme established and meeting on a fortnightly basis to track progress of key projects.

Internal audit underway and due to report back on 22 December 2017.

Financial outlook/strategy for next 5 years due to be presented to the IJB on 15 December 2017.

Delegation of resources to localities largely complete, with exception of purchasing budgets. Work is underway and this is expected to be in place for the start of the new financial year.

Clarifying and Simplifying Governance

Clarify and simplify governance arrangements

We will simplify our governance arrangements to ensure they are focused on delivering our objectives and are easily understood by our staff, partners and stakeholders. We will:

- clarify the differing roles of the IJB and the Health and Social Care Partnership and their relationships to the Council and NHS Lothian
- review how the IJB and its sub groups fit together
- review the internal governance of the Health and Social Care Partnership
- ensure that the IJB and the Partnership both have a set of organisational objectives

WORKSTREAM	RAG	NOV 17	DEC 17	JAN 18	FEB 18	MAR 18	APR 18
Clarifying and Simplifying Governance SRO Michelle Miller		Review and clarify governance of IJB and sub-committees and NHSL hosted services					
		Review and clarify role of Professional Advisory Committee					
		Develop and implement new staffing structures for "Phase 3" services					

Progress to Date:

Ensuring clarity of roles and remits is a key focus in planned staff engagement sessions.

An IJB briefing on 17 October confirmed governance arrangements. The IJB is recruiting new non-voting members and is seeking nominations for chairs for various steering groups and strategic planning groups.

The Partnership's senior management team structure has been revised and recruitment is underway for the Chief Officer.

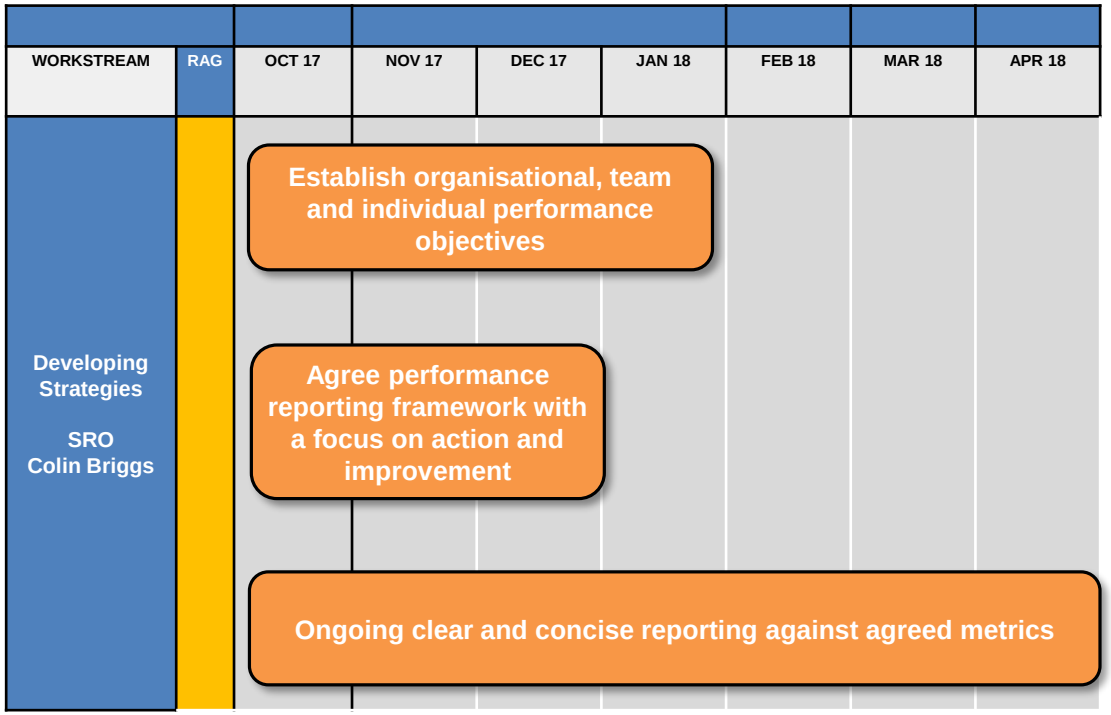
Locality scrutiny boards have been established to focus on finance, quality and performance.

Developing a Performance Framework

Developing a performance framework

We will develop a performance framework aligned to the Scottish Government's national outcomes and local priorities, against which the Partnership and its staff can be held to account. We will:

- establish organisational objectives for the Partnership that provide the basis for setting team and individual objectives
- set out the metrics to be reported to the IJB and Health and Social Care Partnership Senior Management Team
- report against the metrics clearly and concisely
- emphasise personal accountability



Progress to Date:

Planning is underway to ensure the development and cascade of appropriate organisational, team and individual performance objectives.

A performance dashboard has been developed to track performance against the key national outcome indicators. The next stage will extend this dashboard to local reporting.

Scrutiny boards established in each locality have a clear focus on the management and improvement of performance, budgetary control and quality.

Ensuring Quality

Ensuring quality

We will improve citizens' experience of our services by taking action in response to the 17 recommendations in the report of the joint inspection of services for older people published in May 2017. We will:

- review and prioritise each of the recommendations
- sustain, and where necessary, accelerate progress to date
- engage with the inspection bodies as partners in our improvement journey
- establish a robust programme of quality assurance

WORKSTREAM	RAG	OCT 17	NOV 17	DEC 17	JAN 18	FEB 18	MAR 18	APR 18	MAY 18	JUN18
Ensuring Quality SRO Michelle Miller		Revise and re-prioritise inspection action plan								
		Delivery of improvements detailed in inspection action plan								
		Project to address current backlogs of assessments and reviews								
		End to end review of all business processes for assessments and reviews								
		End to end review of all business processes for the administration of Direct Payments								

Progress to Date:

The inspection action plan was revised and re-prioritised in October 2017. We have established a quality improvement framework for localities, supported by expertise in adult protection and quality assurance and compliance.

Funding has been identified to establish a project to address the current backlog of assessments/reviews over the coming 7 months. We are establishing a temporary data cleansing/compliance team to improve the integrity of Swift data and ensure that lean, effective business processes are in place to support locality working.

Savings Governance Programme – Delivering Financial Sustainability

- In addition to the improvement programme, themed around the priorities set out in the Statement of Intent, the Partnership has developed a savings programme
- This programme is monitored and governed through the Savings Governance Board, which meets on a fortnightly basis to track progress and deal with risks/issues/decisions
- The savings programme is targeting significant financial savings and/or cost avoidance
- The high level details of this programme are set out in the following slide

High Level Savings Programme

WORKSTREAM	RAG	OCT – DEC 17	JAN – MAR 18	APR – JUN 18	JUL – SEP 18	OCT – DEC 18	JAN – MAR 19	APR – JUN 19	JUL – SEP 19	OCT – DEC 19
Delivering Financial Sustainability **SRO Moira Pringle**		Prioritise and agree pipeline projects for delivery								
		Disability services, legal fees and discretionary spend								
		Maximise direct payment clawback								
		Deliver staffing savings for phase 3 services								
		High value transport cost savings								
		Delivery of 2017 /18 NHS locality schemes								
		Review of Partnership Grants Programme and delivery of efficiencies								
		Telecare Expansion Programme – Purchasing Budget Efficiencies								
		Support Planning and Brokerage – Purchasing Budget Efficiencies								
		Reablement – Purchasing Budget Efficiencies								

Governance, Risk and Best Value Committee

10.00am, Tuesday, 16 January 2018

Accounts Commission: Local Government in Scotland – Financial Overview 2016/17

Item number	7.4
Report number	
Executive/routine	
Wards	
Council Commitments	

Executive summary

In November 2017, the Accounts Commission published its Scotland-wide review of local government financial performance for 2016/17. The report concludes that in light of increasing demand and reducing funding, the financial challenges facing all councils continued to grow in 2016/17. Savings were correspondingly more difficult to identify and deliver and greater use was made of reserves, in some cases to support routine service delivery.

Given an accompanying increase in debt levels in some authorities, robust medium-term planning, transparent reporting and effective leadership will be key to securing on-going financial sustainability in informing the increasingly difficult decisions that undoubtedly lie ahead. In confronting these challenges, close working amongst officers, councillors, stakeholders and partners will be vital.

Report

Accounts Commission: Local Government in Scotland – Financial Overview 2016/17

1. Recommendations

1.1 Members of the Governance, Risk and Best Value Committee are asked to:

1.1.1 note the contents of the report; and

1.1.2 refer the report to the Finance and Resources Committee for its consideration in the context of setting the Council's 2018/23 revenue and capital budget framework.

2. Background

2.1 Until 2014/15, as an integral part of its annual programme of scrutiny and inspection across Scotland's local authorities, the Accounts Commission published a high-level, independent overview report. This annual report drew upon work undertaken in the preceding year, summarising findings and key themes emerging from financial statement, Best Value, Community Planning and wider performance audits.

2.2 For the 2015/16 review year, a slightly different approach was adopted. Rather than providing coverage of all of the above areas within a single overview, a series of discrete reports was instead issued. The financial overview report, issued several months earlier than usual in November 2016 with the intention that it then inform and complement councils' budget-setting processes, was considered by the Governance, Risk and Best Value Committee on 2 February 2017. A Scotland-wide overview of service performance and the range of challenges facing councils was subsequently released in March 2017 and considered by the Governance, Risk and Best Value Committee on 20 April 2017. A similar two-part approach is being adopted for the 2016/17 review year, with the financial overview report issued on 28 November 2017.

2.3 As in 2015/16, the overview report is aimed primarily at councillors and senior officers and assesses councils' financial performance and preparedness in the context of a number of existing and emerging challenges. These challenges centre on reconciling demographic-led increases in service demand, other cost pressures and growing complexity arising from legislative change with on-going, real-terms reductions in funding. In seeking to enhance councillors' understanding of the issues concerned to discharge effectively their scrutiny

role, a number of specific suggested questions for consideration are also highlighted. These questions, and the accompanying contextual commentary, provide an accessible overview of the complex local government landscape and may be of particular interest to recently-elected members.

2.4 Given its Scotland-wide coverage, the report's recommendations are correspondingly general. Edinburgh-specific and other reports covering areas of direct applicability to the Council's activities are, however, regularly considered by the Governance, Risk and Best Value Committee. Of particular relevance is the Council's own Annual Audit Report, considered by the Governance, Risk and Best Value Committee on 26 September 2017.

3. Main report

Overview of report and key messages

3.1 The Accounts Commission report comprises three distinct sections. The first (on pages 10 to 19) provides a high-level overview of councils' income and expenditure in 2016/17, placing these within the context of recent years' trends. The second section (pages 20 to 32) then proceeds to examine the effectiveness of councils' financial management arrangements in 2016/17. The third section (on pages 33 to 41) provides an overview of the outcome of councils' budget-setting processes for 2017/18, before identifying a number of key messages geared towards securing both longer-term financial sustainability and on-going delivery of priority outcomes.

3.2 In overall terms, the report concludes that in light of increasing demand and reducing funding, the financial challenges facing all councils continued to grow in 2016/17. Savings were correspondingly more difficult to identify and greater use was made of reserves, in some cases to support routine service delivery.

3.3 Given an accompanying increase in debt levels in some authorities, robust medium-term planning, transparent reporting and effective leadership will be key to securing on-going financial sustainability in informing the increasingly difficult decisions that undoubtedly lie ahead. In confronting these challenges, close working amongst officers, councillors, stakeholders and partners will be vital.

Relevance to Edinburgh

3.4 As noted above, the conclusions of the overview report are drawn from audit work undertaken across all Scotland's councils and, as such, the messages are intended to be of general applicability. In considering the report's contents, however, specific attention is drawn to the following:

3.4.1 **Exhibit 3, page 12** – Edinburgh's combined level of General Revenue Grant, Non-Domestic Rates and Council Tax funding, when expressed on a per capita basis, was the lowest in Scotland in 2016/17. This reflects a number of factors including the city's relative affluence (with a knock-on impact on its spending needs assessment), economies of scale in service

delivery and, most materially, the size of the independent education sector;

3.4.2 **Exhibit 5, page 15** – the Council was one of the first in Scotland to introduce a long-term financial plan, doing so in 2009. The plan captures movements in key expenditure (and income) factors influencing the Council's activities, with those shown in the diagram collectively adding over £25m to the Council's cost base in 2016/17. This cost increase contributed to an overall requirement to deliver some £73m of savings to maintain balance between expenditure and income during the year;

3.4.3 **Paragraph 23, page 16** – the Council adopted a corporate charging policy framework in June 2014, with increases in most discretionary fees and charges linked to wider changes in inflation rates to maximise the level of investment in key services;

3.4.4 **Exhibit 6, page 17** – in line with the position for Scotland as a whole, the Council has afforded relative protection to education and social work services in recent years' budgets. Given that expenditure in these areas accounts for over two-thirds of the Council's budget and is increasing with each year of relative protection, however, it is clear that all areas need to contribute to addressing savings requirements going forward if financial sustainability is to be secured;

3.4.5 **Exhibit 9, page 22** – the Council was one of a minority in Scotland that increased their levels of reserves in 2016/17 against the backdrop of an overall reduction of £32m. The Council's recent external audit concluded that an effective approach to the management of reserves is in place, with the combination of unallocated and earmarked reserves appropriate to the risks it faces and the annual Risks and Reserves report considered by the Finance and Resources Committee identified as an example of good practice. In this vein, the Council has already applied earmarked reserves in the current year in meeting, for example, building dilapidation liabilities and obligations associated with its waste disposal contract;

3.4.6 **Exhibit 12, page 25** – the demand-driven nature of a number of service overspends in 2016/17 mirrors the experience in Edinburgh, with the budget framework subsequently providing additional investment in the priority areas of Health and Social Care, Communities and Families and Safer and Stronger Communities. This additional investment is, however, only affordable through the identification of corresponding savings elsewhere within the budget, with a consequent need for much more fundamental consideration of what the Council does and how it does it;

3.4.7 **Exhibits 15 and 16, page 28 and 29** – as with reserves, councils' relative levels of debt should be interpreted in the context of their contribution to wider strategic objectives and their underlying prudence, affordability and sustainability. The Council's overall level of debt is influenced, for

example, by the purchase of its Waverley Court headquarters building in 2008, with the approved business case predicated on delivering net savings relative to the previous lease arrangement of at least £38m over the borrowing term, as well as gaining ownership of the building. The Council's overall level of debt has decreased by over £120m since December 2012, with the resulting savings in loans charge expenditure maximising the level of resources available for frontline service provision;

3.4.8 **Paragraph 55, page 30** – following a centralisation of the Council's capital budget monitoring and development processes in 2012, a best-practice review was undertaken with a view to better co-ordinating management of the capital programme by identifying opportunities to accelerate projects to offset slippage elsewhere. This approach resulted in a marked overall decrease in slippage which continues to be amongst the lowest of all Scottish councils, ensuring that available resources are applied effectively;

3.4.9 **Exhibit 19, page 35** – the approval by Council of a 3% increase in Council Tax rates, along with the impact of Scotland-wide revisions to multipliers for higher-banded properties, has resulted in a marked increase in revenues generated through Council Tax in 2017/18. Despite this, the proportion of the Council's net expenditure funded through Council Tax remains relatively low at 27%, with the balance met through General Revenue Grant and Non-Domestic Rates;

3.4.10 **Paragraph 69, page 35** – enhanced senior officer and elected member scrutiny at the inception, development and implementation stages have seen significant improvements in the proportion of savings subsequently delivered in recent years, with nearly 90% by value delivered in both 2015/16 and 2016/17. The Council's approved budget for 2017/18 is underpinned by the delivery of around £40m of savings, with around 80% of these currently assessed to be on track for full delivery. In recognition of the shortfall in delivery within, in particular, Health and Social Care, the budget framework provides significant additional service investment in 2018/19.

3.4.11 **Exhibit 21, page 37** - no use of general (unallocated) reserves was assumed in approving the Council's 2017/18 budget. In view of external audit recommendations around enhancing in-year transparency of the use of earmarked reserves, however, a review of practice elsewhere is being undertaken and will be incorporated in subsequent Council-wide revenue monitoring reports;

3.4.12 **Exhibit 22, page 38** – subsequently to the publication of the overview report, the Scottish Government has confirmed that it will not implement the Barclay Review on Non-Domestic Rates' recommendation on the removal of charitable relief from existing Council arm's length organisations (ALEOs) which had the potential to introduce combined

annual rates liabilities across Edinburgh Leisure and the Festival City Theatres Trust of more than £2.5m. The Cabinet Secretary for Finance and the Constitution confirmed, however, that relief would likely be withheld from newly-formed ALEOs going forward.

4. Measures of success

4.1 The report reiterates a number of principles of sound financial management and assesses councils' current practices against these. The Council's own arrangements were assessed to be effective as part of the 2016/17 Annual Audit process, with expenditure contained within budget for the tenth successive year and almost 90% of approved savings delivered.

5. Financial impact

5.1 Delivery of a balanced budget in any given year is contingent upon the development, and subsequent delivery, of robust savings, alongside management of all risks and pressures, particularly those of a demand-led nature.

6. Risk, policy, compliance and governance impact

6.1 An annual report on the risks inherent in the budget process is considered by the Finance and Resources Committee, usually in January, and referred to Council as part of setting the revenue and capital budgets. This report was identified as an example of good practice as part of the 2016/17 external audit process.

6.2 The savings assurance process is intended to ensure that, as far as is practicable, those proposals approved by Council deliver the anticipated level of financial savings in a way consistent with the expected service impacts outlined in the respective budget proposals.

6.3 A summary of progress in respect of savings delivery is reported to the Finance and Resources Committee on a quarterly basis, with additional detail and commentary on risks, mitigations and alternative measures (as appropriate) reported to Executive Committees.

7. Equalities impact

7.1 While there is no direct additional impact of the report's contents, all budget proposals are now subject to an initial relevance and proportionality assessment and, where appropriate, a formal Equalities and Rights Impact Assessment is then undertaken. The equalities and rights impacts of any substitute measures identified to address savings shortfalls are similarly assessed.

8. Sustainability impact

8.1 While there is no direct additional impact of the report's contents, the Council's revenue budget includes expenditure impacting upon carbon, adaptation to

climate change and contributing to sustainable development. In addition, all budget proposals are now subject to an upfront assessment across these areas.

9. Consultation and engagement

9.1 As in previous years, an extensive programme of engagement on the specific proposals and wider themes comprising the 2018/23 budget framework is being undertaken. A separate report on the key findings emerging from this year's engagement process will be reported to the Finance and Resources Committee on 23 January 2018.

Stephen S. Moir

Executive Director of Resources

Contact: Hugh Dunn, Head of Finance

E-mail: hugh.dunn@edinburgh.gov.uk | Tel: 0131 469 3150

10. Background reading/external references

Capital Coalition Budget Motion, City of Edinburgh Council, 9 February 2017

Revenue and Capital Budget Framework 2018/23 – progress update, Finance and Resources Committee, 5 September 2017

Revenue Budget Monitoring 2017/18 – Update, Finance and Resources Committee, 28 September 2017

City of Edinburgh Council 2016/17 Annual Audit Report to the Council and the Controller of Audit – referral from the Governance, Risk and Best Value Committee, Finance and Resources Committee, 28 September 2017

Revenue Budget Framework 2018/23: mid-year review, Finance and Resources Committee, 7 November 2017

Fraser of Allander Institute – Scotland's Budget Report 2017, University of Strathclyde Business School, September 2017

11. Appendices

Appendix 1 - Accounts Commission: Local Government in Scotland – Financial Overview 2016/17

Local government in Scotland

Financial overview 2016/17

ACCOUNTS COMMISSION

Prepared by Audit Scotland
November 2017

The Accounts Commission

The Accounts Commission is the public spending watchdog for local government. We hold councils in Scotland to account and help them improve. We operate impartially and independently of councils and of the Scottish Government, and we meet and report in public.

We expect councils to achieve the highest standards of governance and financial stewardship, and value for money in how they use their resources and provide their services.

Our work includes:

- securing and acting upon the external audit of Scotland's councils and various joint boards and committees
- assessing the performance of councils in relation to Best Value and community planning
- carrying out national performance audits to help councils improve their services
- requiring councils to publish information to help the public assess their performance.

You can find out more about the work of the Accounts Commission on our website: www.audit-scotland.gov.uk/about-us/accounts-commission

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

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Links

PDF download

Web link

These question mark icons appear throughout this report and represent sample questions for councillors (paragraph 7).

Key facts

Council income

£15.2 billion

7.6 per cent

Real-terms reduction in Scottish Government revenue funding since 2010/11

£2.8 billion

Council capital spending in 2016/17

£2.4 billion

Council budgets delegated to IJBs in 2016/17

£1.9 billion

Councils' usable reserves (excluding Orkney and Shetland) at 31 March 2017

£14.5 billion

Councils' net debt (excluding Orkney and Shetland) in 2016/17

£11.5 billion

Councils' pension liabilities at 31 March 2017

Chair's introduction

Welcome to the Accounts Commission's 2017 financial overview report for local government.

Last year was the first time that we published a separate financial overview report. In view of the very positive feedback we received from our stakeholders, we have decided to continue publishing two overview reports each year: this one focuses on financial matters, and the other on councils' performance and outcomes, which we plan to publish in April 2018.

Generally, councils face increasing challenges which require flexible responses that balance immediate needs, sound long term planning and limited financial resources. This task is a demanding one for elected members – not least for newly elected members – and I would hope that this overview report and its associated material, including the examples of questions we provide to support scrutiny by councillors, is a useful source of information and guidance.

We live in a rapidly changing public sector landscape, where external issues such as the transfer of further powers to Scotland and the decision to withdraw from the European Union add to an already complex domestic environment. Against this general backdrop the Commission is very aware of the importance of understanding the individual context faced by each council in terms of demand for services and resources available to sustain or develop them.

A major element of this operating environment for councils is the continuing pressure on finances. There was a real terms reduction in councils' main source of funding from the Scottish Government for 2016/17. This year has seen a further real terms funding reduction, with that trend forecast to continue into future years.

Councils tell us that they are finding the situation more serious than ever, with savings becoming increasingly difficult to identify and achieve. The Commission recognises this, but also recognises that some councils are in a better position to respond than others.

Effective leadership and financial management is becoming increasingly critical and medium-term financial strategies and well thought out savings plans are key to financial resilience and sustainability.

Elected members need to be clear about the potential impact of planned savings on achieving corporate objectives and the subsequent outcomes for citizens. The implications of community empowerment legislation heighten the importance of engaging effectively with communities around local priorities, and working together on options for the best future use of resources in service provision.

The Commission continues to emphasise the importance of Best Value as a comprehensive framework, based on the principle of continuous improvement that encompasses the key features of a high performing and effective council. It is especially relevant in times of tight finances, and we welcome the work being carried out by the Scottish Government, CoSLA, Solace and others, to refresh the Best Value statutory guidance so that it better reflects the current context for local government.

Finally, we welcome that once again the audits of annual accounts from all 32 councils were signed off with no qualifications. This is testament to the hard work amongst council staff, especially those within the finance function, and the good relationships developed by our auditors. There is of course, always room for improvement in financial management, such as in monitoring and reporting of financial matters to both councillors and the wider public. We will continue our interest in this.

Graham Sharp
Chair of Accounts Commission

Summary

Key messages

1 Councils' financial challenges continue to grow. Funding reductions are compounded by increasing costs and demands on services. In response, councils have needed to achieve ambitious savings plans, including around £524 million of savings for 2016/17.

2 Councils are showing signs of increasing financial stress. They are finding it increasingly difficult to identify and deliver savings and more have drawn on reserves than in previous years to fund change programmes and routine service delivery. Some councils risk running out of General Fund reserves within two to three years if they continue to use them at levels planned for 2017/18.

3 Debt increased by £836 million in 2016/17 as councils took advantage of low interest rates to borrow more to invest in larger capital programmes. Councils' debt levels are not currently problematic, but some are becoming concerned about affordability of costs associated with debt within future budgets.

4 Councils' budget-setting processes for 2016/17 were complicated by late confirmation of funding from the Scottish Government and the funding arrangements for integrating health and social care. Councils' expenditure and use of reserves often differed noticeably from that originally planned, indicating the need for budget-setting to become more robust and reliable.

5 All councils received an unqualified audit opinion on their 2016/17 accounts but auditors found that in several councils financial management could be improved. Councils can use their accounts to more clearly explain their financial performance over the whole year to support better scrutiny.

6 The financial outlook for councils continues to be challenging, with the need to deliver savings being increasingly critical to their financial sustainability. As such, robust medium-term financial strategies and effective leadership to deliver them are of increasing importance.

councils are showing signs of increasing financial stress

About this report

1. This report provides a high-level independent analysis of the financial performance of councils during, and their financial position at the end of, 2016/17. It also looks ahead and comments on the financial outlook for councils. It is one of two overview reports that the Accounts Commission publishes each year, complementing a report on councils' performance and outcomes that will be published at the start of the next financial year in April 2018.

2. The report is intended to inform the public and its representatives. It is particularly aimed at councillors and senior council officers, and will be of significant interest to elected members who joined councils for the first time following the May 2017 elections. While the focus of the report is on councils, we also provide some early information about Integration Joint Boards (IJBs), which are also local government bodies, following their first full year of operation in supporting health and social integration. A programme of audit work looking in more detail at health and social care integration and IJBs is under way.[1]

3. The report is in three parts:

- Part 1 (page 10) comments on councils' income and budgets for 2016/17.
- Part 2 (page 20) looks at councils' financial performance during, and position at the end of, 2016/17.
- Part 3 (page 33) looks at councils' 2017/18 finances and the challenges faced going forward.

4. Our primary sources of information are councils' 2016/17 audited accounts (including management commentaries) and their 2016/17 external annual audit reports. We have supplemented this with data submitted by councils to the Scottish Government through local finance returns (LFRs) and Provisional Outturn and Budget Estimates (POBE). LFRs present spending information for councils on a different basis from the spending information that councils record in their annual accounts. We do not audit data contained in LFRs.

5. UK-wide changes to the format of council financial statements in 2016/17 mean that we are no longer able to compare spending on services across councils using the annual accounts. This includes changes that make it difficult to establish the true service income and expenditure totals. We will include further analysis of these areas in our local government overview report in April 2018, using Scottish Government LFR data.

6. We refer to 'real-terms' changes in this report. This means we are showing financial information from past and future years at 2016/17 prices, adjusted for inflation, so that they are comparable to information from councils' 2016/17 accounts. We also refer to figures in 'cash terms'. This means we are showing the actual cash or money paid or received.

7. Throughout the report, we identify examples of questions that councillors may wish to consider to help them better understand their council's financial position and to scrutinise financial performance. The questions are also available on our website in *Supplement 1: Scrutiny tool for councillors*.

8. Accompanying this report, and to facilitate insight and comparisons across the sector, we have provided additional financial information on our website. The information is based on councils' audited accounts. We hope this will be useful for senior council finance officers, their staff and other interested stakeholders. We have also produced a separate supplement on councils' Housing Revenue Account (HRA) and the Local Government Pension Scheme (LGPS).

9. Throughout this report Orkney and Shetland have been excluded from exhibits that show usable reserves and debt. This is because the levels they hold mean inclusion would make it difficult to see relative positions of other councils. Most councils hold usable reserves of between five and 35 per cent of their annual income, whereas Shetland's reserves were 250 per cent of its annual income and Orkney's 300 per cent of its annual income. These large reserves relate to oil, gas and harbour related activities. As a result, both Orkney and Shetland also have more investments than borrowing unlike other councils.

Part 1

Councils' income and budgets for 2016/17

Key messages

1 2016/17 was a challenging year for councils with a real-terms reduction in revenue funding, a continuation of the council tax freeze, inflationary pressures and the cost of new UK and Scottish Government policy commitments.

2 Councils depend on Scottish Government funding for the majority of their income. The largest element of Scottish Government funding, relating to Grant Aided Expenditure, has remained largely unchanged since 2008/09, with additional funding linked to supporting national policies. The Scottish Government and COSLA should assure themselves that the funding formula remains fit for purpose in a changing landscape for local government. It is important that it is suited to improving outcomes for local communities and sensitive to priorities such as reducing inequality within and across council areas.

3 In response to funding reductions, councils approved about £524 million of savings and the use of £79 million of their reserves when setting budgets for 2016/17. Councils' savings plans have focused on reducing staff numbers, rationalising surplus property and improving procurement of goods and services. Councils were not always clear in their budget-setting reports about the risks associated with savings and their potential impact on levels of service.

4 Councils' budget-setting processes for 2016/17 were complicated by later confirmation of funding from the Scottish Government and the funding arrangements for integrating health and social care.

5 Councils set larger capital budgets in 2016/17 than in 2015/16. The Scottish Government capital grant fell and councils planned to fund expenditure through increased borrowing.

2016/17 was a challenging year for councils

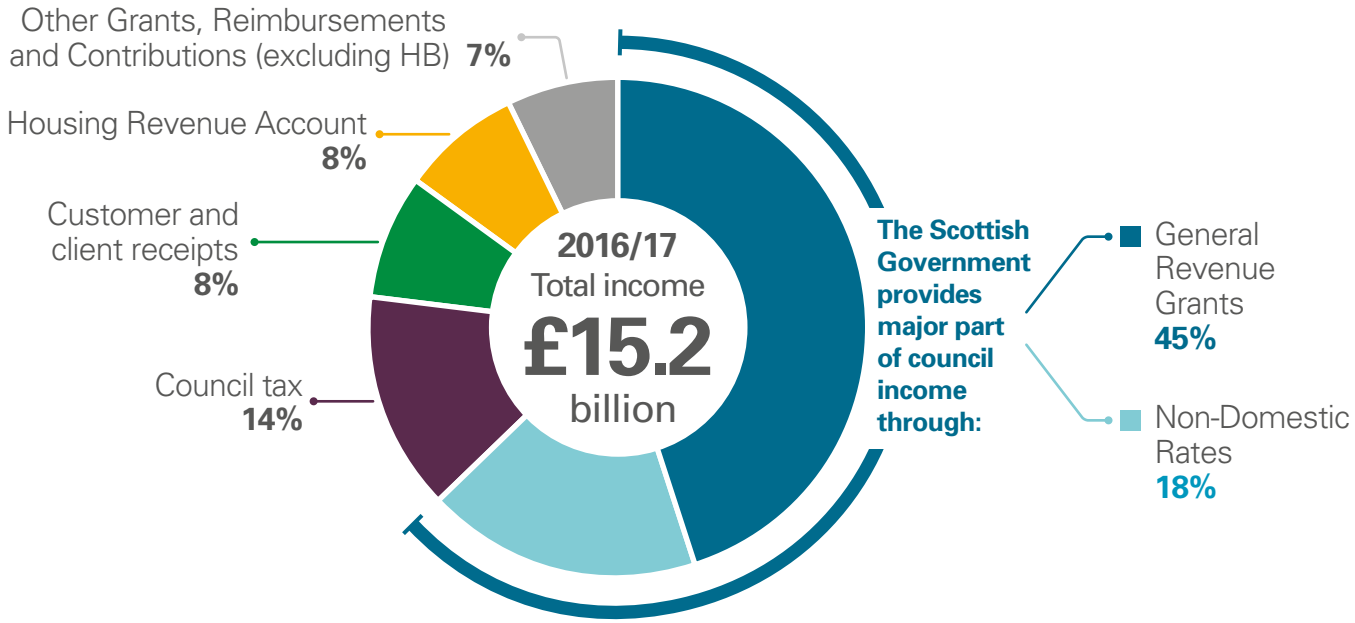
Councils faced a major challenge from the significant fall in revenue funding for 2016/17

10. The Scottish Government provides almost two-thirds of councils' income through general revenue grant, non-domestic rates (NDR) and specific grants for things like community justice (Exhibit 1, page 11). In comparison, council tax accounts for 14 per cent of councils' income, and fees and charges about eight per cent of their income.[2]

Exhibit 1

Sources of council revenue income, 2016/17

Councils are dependent on the Scottish Government for the majority of their income.



Notes:
1. Does not include all income collected for services delivered through council arm's-length external organisations (ALEOs) and Integration Joint Boards (IJBs).
2. Income excludes housing benefit.
3. Customer and client receipts are 2015/16 totals at 2016/17 prices.

Source: Annual accounts 2016/17 and Scottish Local Government Finance Statistics 2015-16

11. Scottish Government revenue funding for councils in 2016/17 fell by 5.2 per cent in real terms (Exhibit 2). Councils' revenue funding from the Scottish Government has fallen in real terms by 7.6 per cent since 2010/11. The size of the reduction in 2016/17 presented councils with a major challenge in delivering services and required most to identify significant savings.

Exhibit 2

Scottish Government revenue funding to councils

Revenue funding fell both in cash and real terms in 2016/17 compared to 2015/16.

	2016/17 £'000	Change on 2015/16 Cash %	Real %
NDR	2,769	-0.7 ▼	-2.7 ▼
Revenue Grant	6,939	-4.3 ▼	-6.2 ▼
Total revenue funding	**9,708**	**-3.3 ▼**	**-5.2 ▼**
Additional resource via IJBs	250		
	9,958	**-0.8 ▼**	**-2.8 ▼**

Source: Local Government Finance Circular 1/2017, Scottish Government

12. In 2016/17, the Scottish Government transferred an additional £250 million from the health budget to support health and social care integration. Even taking this into account, total revenue funding for councils fell in 2016/17.

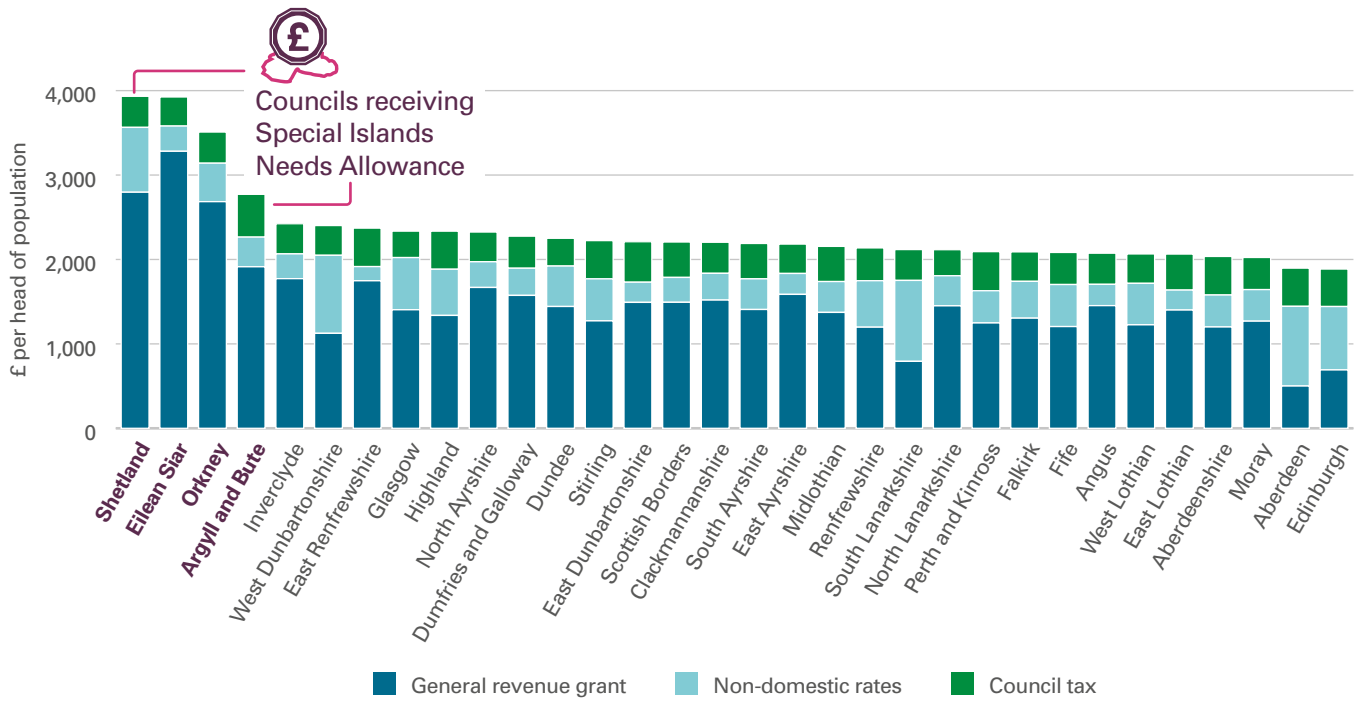
13. Council tax is a key source of income for local government. Councils have typically set council tax rates to reflect local policy choices. Between 2008/09 and 2016/17, councils agreed with the Scottish Government to freeze council tax rates. To compensate them, the Scottish Government provided local government with an additional £70 million in each year of the freeze. In 2008/09, £70 million represented just over three per cent of council tax income and councils each received a share in line with their tax base. Councils that may not have increased their council tax by this amount each year will have benefited from additional funding as a result of the freeze. Councils did, however, lose the option of raising council tax to generate additional revenue. Although the council tax freeze was lifted in 2017/18, councils were constrained to increases of three per cent.

14. The revenue funding that councils received from the Scottish Government and council tax income varied between £2,000 and £2,400 per head of population for most councils in 2016/17 (Exhibit 3). This impacts on the income they have available and on the decisions they need to make about delivering services. The income per head of population in Argyll and Bute, Eilean Siar, Orkney and Shetland is higher than in other councils because they receive extra funding for their island populations, in recognition of the additional costs they face when providing services.

Exhibit 3

Income from General Revenue Grant, Non-Domestic Rates and council tax per head of population, 2016/17

Most councils received between £2,000 and £2,400 per head of population.



Source: Annual accounts 2016/17; and National Records of Scotland mid-year population estimate for 2015

Additional Scottish Government funding has been linked to supporting national policies

15. The Scottish Government funding mechanism is the main determinant of a council's overall funding. It is designed to reflect differences between councils in terms of population and other factors, such as geography and deprivation. The funding mechanism is based on a large number of elements as illustrated in Exhibit 4 (page 14). The Fraser of Allander Institute has provided a useful outline summary of how funds are allocated:

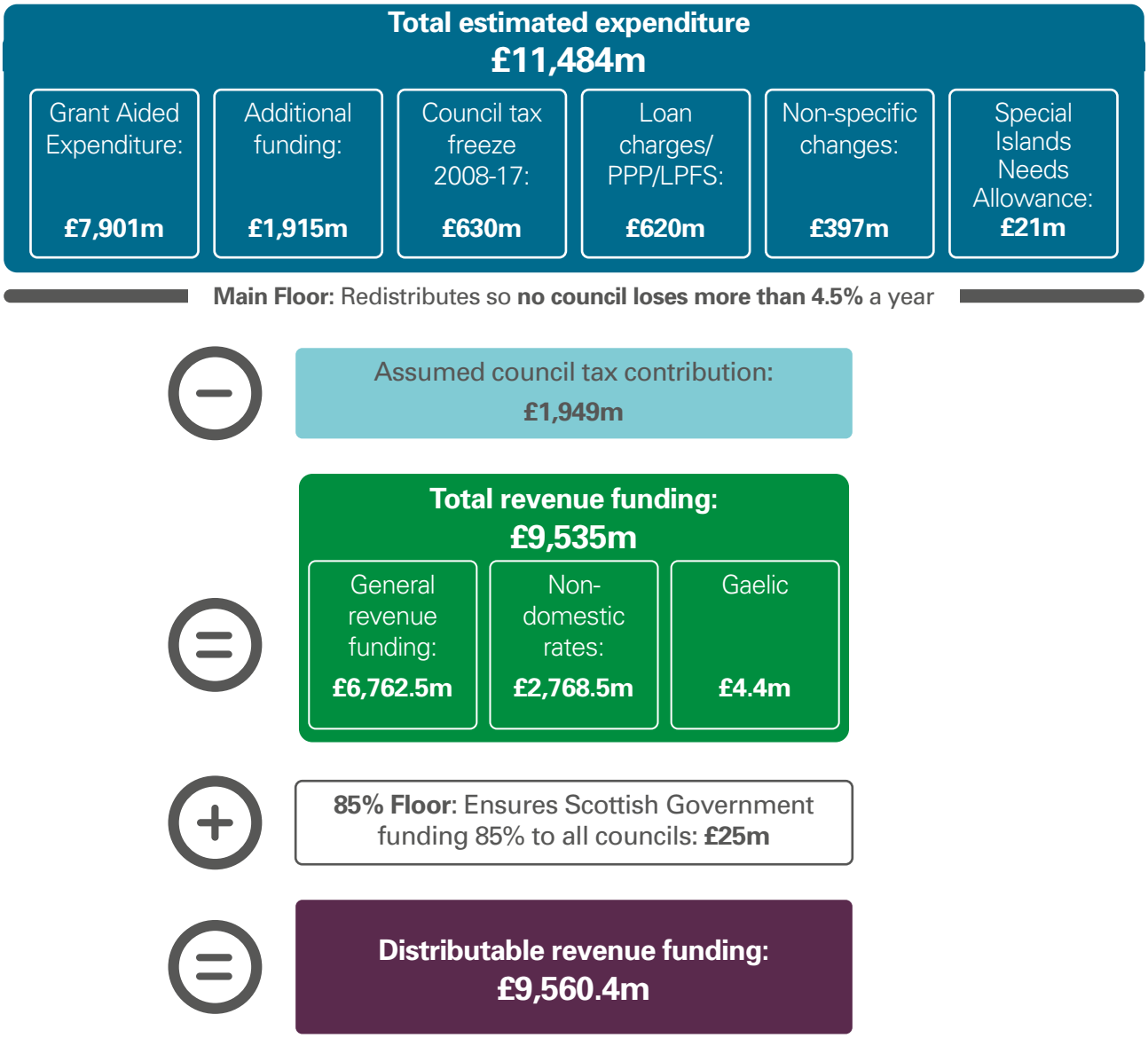
> 'The Scottish Government allocates grants to local authorities taking into account both the relative spending need of each authority, and the revenues raised from council tax and non-domestic rates income.
>
> The grant allocation system first calculates the 'total estimated expenditure' (TEE) that each local authority is likely to need to meet its various commitments. The elements of TEE are:
>
> - an assessment of spending needs, based on the Grant Aided Expenditure (GAE) assessments combined with a Special Islands Needs Allowance (SINA)
> - a series of additional revenue grants – such as the funding used in the past to support the council tax freeze – the allocation of which is determined on a case-by-case basis
> - a series of further non-specific changes to grant allocations, the allocation of which is based on local authorities' shares of GAE + SINA
> - local authorities' commitments in respect of certain historic loan charges
> - the sum of these elements is then adjusted by a 'floor' to ensure that no local authority experiences particularly large swings in support from one year to the next.
>
> Having calculated TEE, an adjustment is then made based upon an estimate of what each local authority is expected to raise from council tax, the revenues that each local authority is forecast to raise from non-domestic rates, and their allocation of ring-fenced Gaelic funding. A further 'floor' calculation is applied to ensure that no local authority receives less than 85 per cent of the Scottish average on a per capita basis.'[3]

16. Within the Scottish Government's estimate of councils' TEE in any year, the largest element is Grant Aided Expenditure (GAE). GAE totals have remained broadly the same since 2008/09, with the exception of funding for police, fire and district courts having been removed. In 2016/17, GAE was £7.9 billion of a total estimated expenditure of £11.5 billion. GAE is distributed between councils based on an estimate of their relative spending needs across 89 elements, with reference to one or more indicators. For example, the GAE for primary education is allocated with reference to its share of primary school aged pupils. A small adjustment is made based on a secondary indicator of the percentage of pupils in small schools. The variations between councils in each of the elements are mostly determined by population profiles, although other factors to reflect rurality and deprivation are also used when appropriate.

Exhibit 4

Local Government funding mechanism, 2016/17

The formula contains many elements.



Notes: On top of distributable revenue funding, councils also received £133 million from other grants and payments such as the Teacher Induction Scheme and Discretionary Housing Payments.
In 2016/17, the 85 per cent floor was applied to funding for Aberdeen City and City of Edinburgh Councils.

Source: Audit Scotland and Fraser of Allander Institute

17. New funding for councils since 2008/09, for example funding to expand early years' childcare, has come as 'additional funding' and 'non-specific changes' and is funding specifically directed at delivering particular national policies. The proportion of council funding directed towards national policies is increasing, a trend that will continue with Scottish Government proposals for fairer funding for equity and excellence in education. This shift increasingly restricts the flexibility councils have in managing their budgets across their full range of services. The Scottish Government and COSLA should assure themselves that the funding

formula remains fit for purpose in a changing landscape for local government. It is important that it is suited to improving outcomes for local communities and sensitive to priorities such as reducing inequality within and across council areas.

Councils faced increased budgetary pressures in 2016/17

18. Councils faced a growing range of budgetary pressures in 2016/17 from the real-terms reduction in Scottish Government funding, the continuation of the council tax freeze and cost inflation. They also faced additional pressures in meeting new UK and Scottish Government policy commitments. Many of the budgetary pressures that councils faced were associated with staff. As councils' largest area of expenditure, additional staff-related costs have a very significant impact on their budgets (Exhibit 5).

Exhibit 5

Significant budgetary pressures on councils in 2016/17

UK and Scottish Government policy commitments had sizeable cost implications for councils.

The **move to the single state pension at UK level.** This ended the employer NI rebate in relation to staff in contracted-out pension schemes (such as the LGPS and Teachers schemes).

3.4 per cent increase in NI costs affected employees from 1 April 2016.

The cost of introducing the **living wage for social care workers** from 1 October 2016.

Estimated cost of £100 million.

The undertaking to **maintain teacher numbers in Scotland** and the **Teacher Induction Scheme**.

Councils spend around £2.4 billion on teachers. By not cutting teacher numbers they receive a share of £88 million extra funding.

Annual increases in staff costs.

Estimated cost of one per cent pay rise about £70 million. Costs also increase as staff move up pay scales.

The **full year effect of increased pension contributions for teachers** (increased from 14.9 per cent to 17.2 per cent from September 2015).

The estimated impact was around £20 million in 2016/17.

Source: Audit Scotland

19. In addition to the costs of meeting government policies and inflationary pressures, councils also had to deal with ongoing demand pressures. Some demand pressures such as those associated with an ageing population and placements for looked-after children, are often not easy to forecast and budget for. This highlights the need for adequate budget contingency and robust arrangements for identifying and responding to changes in demand for services.

20. Rent arrears can also create budgetary pressures for councils' Housing Revenue Accounts. The Department for Work and Pensions (DWP) began a roll-out of Universal Credit (UC) in Scotland in March 2016. By March 2017, UC had rolled out across five councils.[4] Rent arrears across these councils increased in 2016/17 by an average of 14 per cent, compared with an average of 4 per cent across the remaining councils. Our *Housing Benefit Performance Audit: Annual update 2016/17* highlighted that councils are finding that the roll-out of UC is having a detrimental effect on their collection of housing rental income.

Some service areas saw larger reductions to budgets in 2016/17

21. In responding to the range of pressures they face, councils approved about £524 million of savings and budgeted to use about £79 million of reserves in their budgets for 2016/17. Savings plans continued to focus on their main areas of spend, reducing staff numbers, rationalising surplus property and improving procurement of goods and services. It was not always clear from budget-setting reports how savings aligned with the council's corporate and financial plans or how they would impact on service delivery.

22. In 2016/17, budgets for education increased, mainly as a result of the policy commitment to maintain teacher numbers and the inflationary pressures around pay and pension costs. Despite demand pressures in social work, overall budgets reduced – but not by as much in percentage terms as in other areas of service. Remaining service areas have seen larger reductions to their budgets. In some cases, increases in fees and charges may have reduced the amount of budgeted expenditure. This pattern of larger reductions to relatively smaller service areas has been recurrent in recent years and is something that has continued into 2017/18. While it is right that resources should be aligned with policy priorities, the impact on other services and their outcomes should be carefully assessed (Exhibit 6, page 17).

Councils have been seeking to maximise the income available to them from charging for services

23. Councils generate about eight per cent of their total income from charging for services (excluding housing rents). This includes income from charges to service users, rental income (excluding council houses) as well as 'other' charges. It is difficult to establish from the data available the full extent of income councils receive. Some income from services provided via arm's-length external organisations (ALEOs) and IJBs is not shown in council totals.[5]

24. Councils have been seeking to maximise their income through increasing charges and by introducing new charges for services, for example introducing charges for garden waste. Councils have also sought to collect more of the income that is due to them. Charges for social care which are subject to regulation, represented the largest area of income from charging services in 2015/16 (Exhibit 7, page 18).

Does your council have a charging policy? Is this in line with corporate plans and objectives? When was this last reviewed?

What information do you need to be able to explain increases in fees and charges to your constituents?

25. The Scottish Parliament's Information Centre (SPICe) has published a detailed briefing on some fees and charges. The Accounts Commission also considered fees and charges for services in its 2013 report, *Charging for services: are you getting it right?*

26. Although councils generate a relatively small proportion of their overall income from fees and charges, increases can make a difference to council finances over time. However, councils face difficult decisions in balancing their need to maximise income while also ensuring their charging policy is consistent with corporate objectives, such as providing access to services and addressing inequality. Increasing prices can be unpopular with the public, but effective leadership, sensitive management, good communications and community engagement can assist with this.

Exhibit 6

Trend in council expenditure on main services, in real terms

There was significant variation in budget changes across council services.

	2013/14 £million	2014/15 £million	2015/16 £million	16/17 Budget £million	Change over period
Education	4,771	4,736	4,830	4,826	1%
Cultural and related services	639	661	610	560	-12%
Social work	3,158	3,194	3,233	3,086	-2%
Roads and transport	454	431	427	419	-8%
Environmental services	686	684	698	668	-3%
Planning and development services	291	286	248	251	-14%
Other services	839	802	778	687	-18%
Total (excludes trading services and interest payments)	**10,840**	**10,793**	**10,823**	**10,496**	-3%

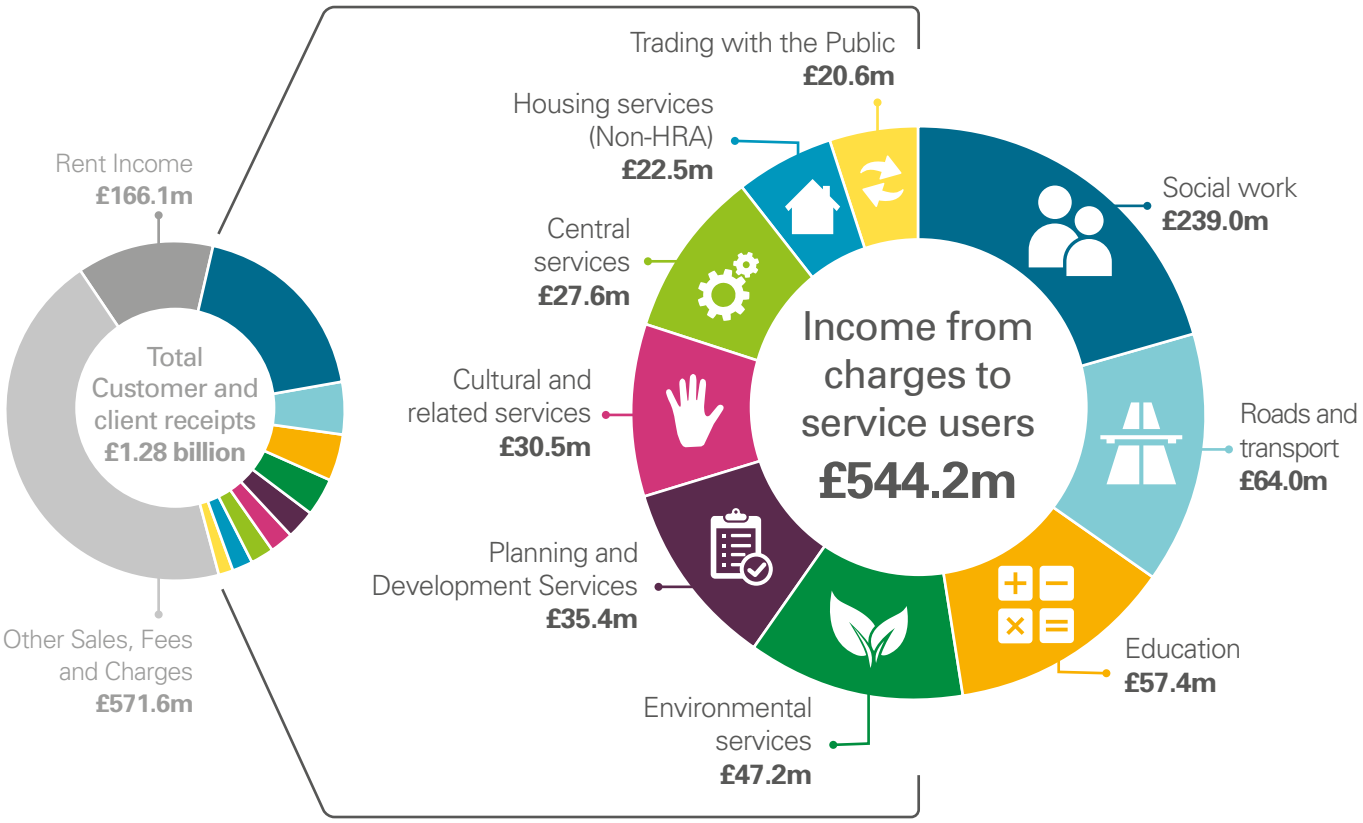
Note: 'Other services' combines Central Services and non-HRA housing.

Source: Scottish Local Government Finance Statistics 2015-16; and Scottish Government Provisional Outturn Budget Estimate returns 2016

Exhibit 7

Charges to service users

Charges to service users account for over £500 million of councils income.



Note: Does not include all income collected for services delivered through council ALEOs and IJBs.

Source: Scottish Local Government Finance Statistics 2015-16

Integration Joint Boards added further complexity to budget setting

27. For the majority of councils, 2016/17 was the first operational year for Integration Joint Boards (IJBs). IJBs were established as a result of the Public Bodies (Joint Working) (Scotland) Act 2014. They are partnerships between NHS boards and councils and are responsible for the delivery of adult health and social care, and in some council areas, for other services, such as children's services. The partnerships are the subject of 'integration schemes' which are written agreements about how they will operate, including responsibilities for any budget underspends and overspends.

28. Councils delegated £2.4 billion of social care expenditure to IJB budgets for 2016/17 and NHS boards contributed £5.6 billion. The introduction of IJBs has complicated budget-setting, due to differences in both the approach and timing of budget-setting between councils and NHS boards. The establishment and development of IJBs has been a complex exercise and will take time to mature. Their operation will be the focus of further performance audit work we have planned in 2018.

Councils set larger capital programmes for 2016/17, with plans to increase borrowing

29. In addition to their day-to-day revenue spending on goods and services, councils also incur capital expenditure on the assets that support those services, including schools, houses and equipment such as vehicles. In 2015/16, councils spent about £2.4 billion on capital projects. Budgets for 2016/17 were much higher at over £3.3 billion.

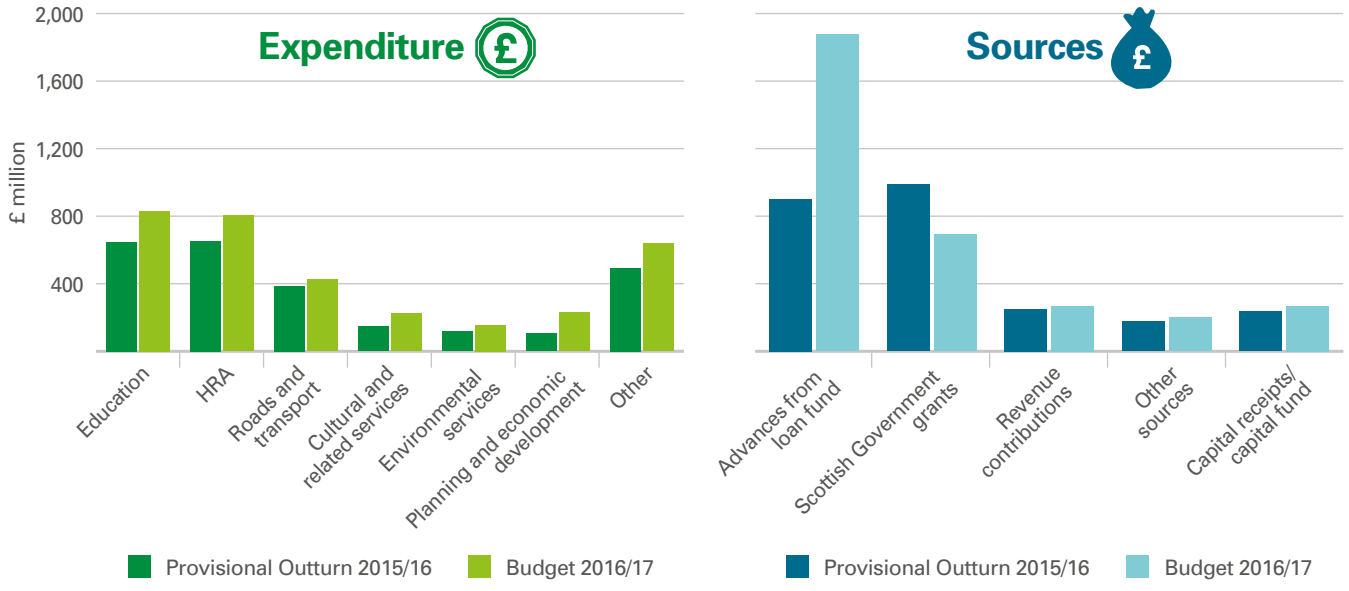
30. Councils finance their capital expenditure from a number of sources, including Scottish Government capital grants and borrowing. Scottish Government grants fell from £834 million in 2015/16 to £591 million in 2016/17, returning to a more usual level following re-profiling in earlier years. Exhibit 8 shows where councils were planning to spend their capital and how they planned to finance it.

31. Councils are required to consider the affordability of their capital programmes. This includes the cost of any borrowing along with the impact on day-to-day running costs. However, they are free to determine what they consider prudent and with interest rates remaining low in 2016/17, councils assessed increased borrowing to be affordable. The delivery of capital programmes and the affordability of debt are considered further in Part 2 and Part 3.

Exhibit 8

Capital programmes and sources of finance, 2015/16 and 2016/17

Councils planned to borrow more in 2016/17 to meet the cost of larger capital programmes.



Notes:
1. Excludes regional transport partnerships and Joint Valuation Boards.
2. Other budgeted use of capital includes Social Work, Central Services, Trading Services, etc.
3. Other sources of capital finance for the General Fund are grants (excluding those received from the Sottish Government).
4. For HRA this includes capital from other sources, such as developer contributions.

Source: Scottish Government Capital Provisional Outturn Budget Estimate 2015-16

Part 2

2016/17 financial performance

Key messages

1. All councils received an unqualified audit opinion on their 2016/17 accounts but the accounts could more clearly explain their financial performance.
2. Councils are showing signs of increasing financial stress with 20 councils drawing on their usable reserves in 2016/17.
3. Councils' actual use of reserves was often quite different from that originally planned. The reasons why are not always clear.
4. Auditors found that budget-setting needed to be more robust and that financial management could be improved in several councils.
5. Levels of net debt increased by £836 million in 2016/17. On average councils spent almost ten per cent of their revenue budgets servicing this debt. Some councils are concerned about the ongoing affordability of servicing their debt as resources decrease.
6. Councils that have been proactive in making difficult decisions will be better placed to deal with future financial pressures.

Twenty councils drew on reserves in 2016/17 – actual use of reserves was often quite different from original plans

All councils received an unqualified audit opinion on their 2016/17 accounts but the accounts could more clearly explain their financial performance to readers

32. In 2016/17, for the sixth consecutive year, auditors issued a 'true and fair' unqualified audit opinion on the accounts of all 32 councils. An unqualified opinion means auditors have judged that all council's financial records and statements are fairly and appropriately presented, that the council's financial statements are sound and free from material misstatements or errors.

33. For the last three years, councils have had to produce a management commentary to accompany their annual accounts. These commentaries play an important role in public accountability and helping interested parties to better understand the accounts of each council and its financial performance and position. As such, they should include explanations of amounts included in the accounts as well as:

- a description of the council's strategy and business model
- a review of the council's business
- a review of principal risks and uncertainties facing the council
- an outline of the main trends and factors likely to affect the future development, financial performance and financial position of the council.

34. Each management commentary should concisely present the financial 'story' of a council in an understandable format for a wide audience. Auditors express an opinion on whether the management commentary is consistent with the audited financial statements and is in line with Scottish Government guidance.

35. Management commentaries for 2016/17 vary in how clearly councils and IJBs explain their financial and general performance. Overall there remains scope for improvement. It is the Accounts Commission's view that councillors have an important role in ensuring that the management commentary effectively tells a clear story of financial performance and can be understood and scrutinised by a wide audience. The story at the end of the year should be produced from regular reports provided to councillors throughout the year.

Do management commentaries clearly explain council performance and any changes to plans?

Councils are showing increasing signs of financial stress

Twenty councils drew on their usable reserves in 2016/17

36. In 2016/17, 20 councils drew on their usable revenue and capital reserves. Nineteen councils drew on their revenue reserves in 2016/17, an increase from the eight councils that did so in 2015/16. Council revenue reserves fell by £32 million in 2016/17. (Exhibit 9, page 22). Overall council usable reserves (capital and revenue) fell by about £33 million.

37. The Chartered Institute of Public Finance and Accountancy (CIPFA) has identified the rapid decline of usable reserves as one of the symptoms exhibited by councils under financial stress.[6] Councils with good financial management demonstrate well-planned and managed use of reserves, in accordance with carefully thought out council policies.

38. In some cases, councils have used reserves to support service delivery. Councils have used reserves to invest in their change programmes, such as meeting the additional costs of staff severance. In 2016/17, councils continued to focus on reducing staffing levels. They reduced their workforces by almost 2,200 staff (almost one per cent of the total workforce), at a cost of £78 million (Exhibit 10, page 23). Councils' policies around voluntary severance and redundancy typically require payback of the costs over two to three years.

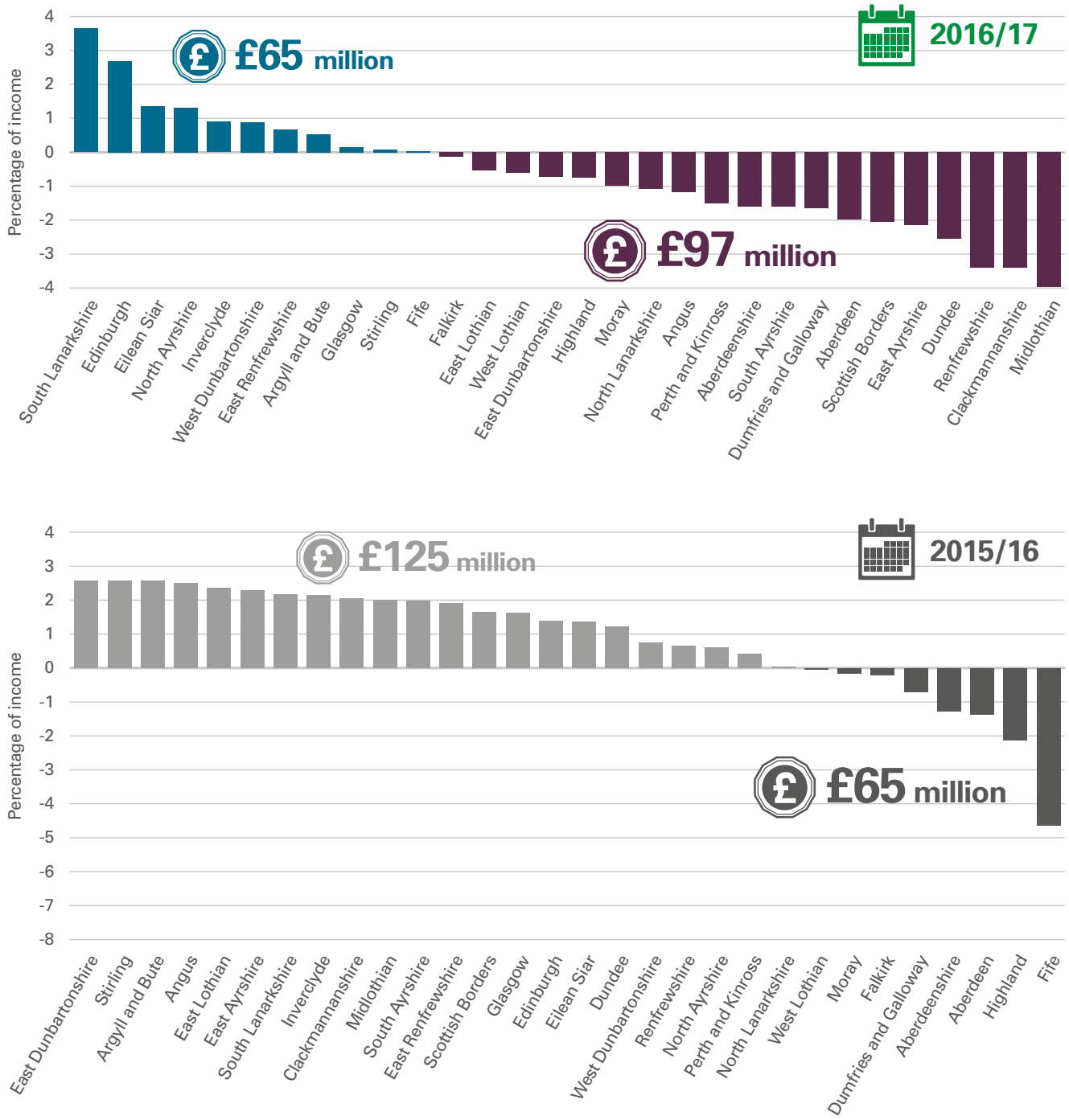
Are staff severances in line with the council's workforce plan?

39. In future, severance schemes could become less attractive for staff under Scottish Government proposals to limit payments. Conversely, severance packages for staff with retirement dates after April 2020 will become more expensive for councils following changes to pension protection.

Exhibit 9

Changes in revenue reserves (excluding HRA), 2015/16 and 2016/17

Many more councils drew on revenue reserves in 2016/17 compared with 2015/16.



Notes:
1. Due to issues with the scale on this exhibit Orkney and Shetland are excluded (paragraph 9).
2. In 2016/17, Renfrewshire moved money from revenue to capital reserves.

Source: Audited accounts 2015/16 and 2016/17

Exhibit 10

Exit packages, 2011/12 to 2016/17

The number and average cost of exit packages both fell in 2016/17.

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	Total
Total number of packages	4,070	2,407	2,373	1,933	2,660	2,195	**15,642**
Total cost of packages Cash terms £000	148,750	109,068	92,640	74,935	97,231	78,125	**600,750**
Total cost of packages Real terms £000	160,868	115,528	96,535	76,955	99,172	78,125	**627,184**
Average cost per package Real terms £	39,525	47,997	40,681	39,811	37,227	35,592	**40,096**

Note: Real terms comparisons are based on 2016/17 prices.

Source: Annual accounts 2016/17

Councils use of reserves and service expenditure was often quite different from that originally planned

40. In 2016/17, as many councils used more reserves than they had originally planned as used less (Exhibit 11, page 24). It is not always clear from management commentaries why the actual use of reserves differed from that planned.

41. There can be a range of reasons why councils need to draw more heavily on their reserves than planned. It can be the result of poor budget-setting and/or budgetary control. For example, councils may need to use reserves to balance budgets where savings have not been achieved. The failure to deliver savings might be due to councils underestimating the time required for change programmes to deliver benefits. As budgets come under greater pressure from funding reductions, cost pressures and increasing demand, it is critical that councils understand the risks of using reserves in an unplanned way in relation to future savings and long-term financial sustainability.

42. Auditors identified that some councils failed to deliver their savings plans in 2016/17. Auditors also highlighted that some budgets did not properly reflect patterns of previous actual expenditure and that councils should consider rebasing their budgets where they consistently underspend. One such area is underspending on financing costs, where slippage on capital programmes leads to less borrowing and lower interest payments. Built-in budget contingencies partly explain budget underspends but councils need to explain this more clearly.

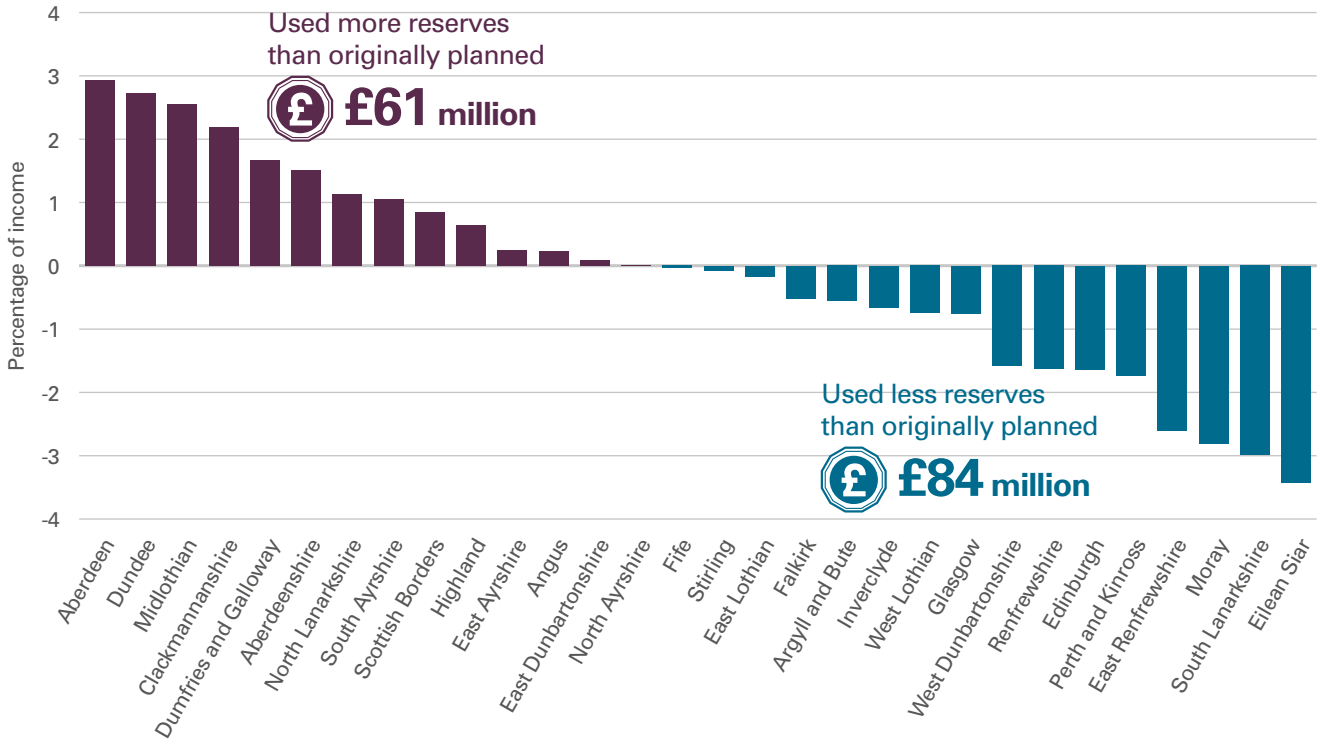
How does the council ensure that council staff have the capacity to delivery transformational change?

What have reserves been used for in recent years? Supporting services and bridging the funding gap or transforming services?

Exhibit 11

Difference between planned and actual use of General Fund reserves as a proportion of income, 2016/17

The difference between planned and actual use of reserves for some councils was more than two per cent of their total income from general revenue grants and taxation.



Note: Due to issues with the scale on this exhibit Orkney and Shetland are excluded (paragraph 9).

Source: Audited accounts 2016/17 and auditor returns

43. Reasons often cited by councils for under and overspends against final budgets are included in Exhibit 12 (page 25).

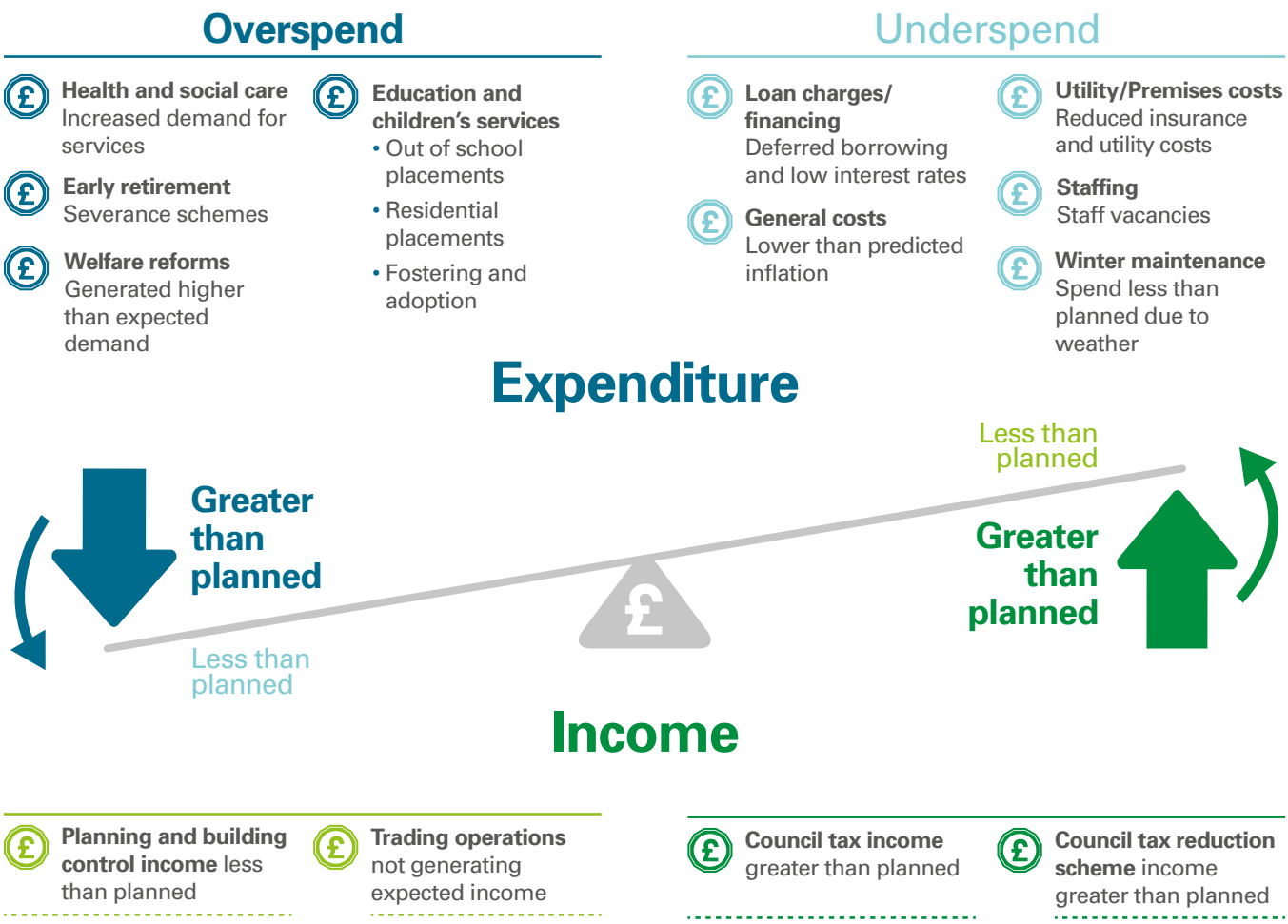
44. Management commentaries in councils' accounts tend to only identify the main reasons for over or underspends against final budgets and not why plans or budgets changed during the year. This represents an area of weakness in financial reporting that councils need to address to support more effective financial scrutiny. If significant changes are made to original budgets the reasons should be clearly reported to councillors throughout the year, as well as featuring in the management commentary accompanying the accounts at the end of the year.

Do budget monitoring reports clearly explain performance against plans and any changes to plans?

Exhibit 12

Commonly reported reasons for budget variances, 2016/17

Demand pressures primarily drove overspends – with financing costs a key driver of underspends.



Source: Audit Scotland review of management commentaries

Levels of usable reserves vary widely and it is important that councils have clear reserves policies

45. The levels of usable reserves held by councils vary widely, as do policies on the minimum level of reserves they should hold. The General Fund reserve is the main revenue reserve available to support general council services. By the end of 2016/17, General Fund reserves, excluding Orkney and Shetland, totaled £1.1 billion. However, councils hold a number of other reserves and total usable reserves held amounted to £1.9 billion (excluding Orkney and Shetland, paragraph 9), (Exhibit 13, page 26).

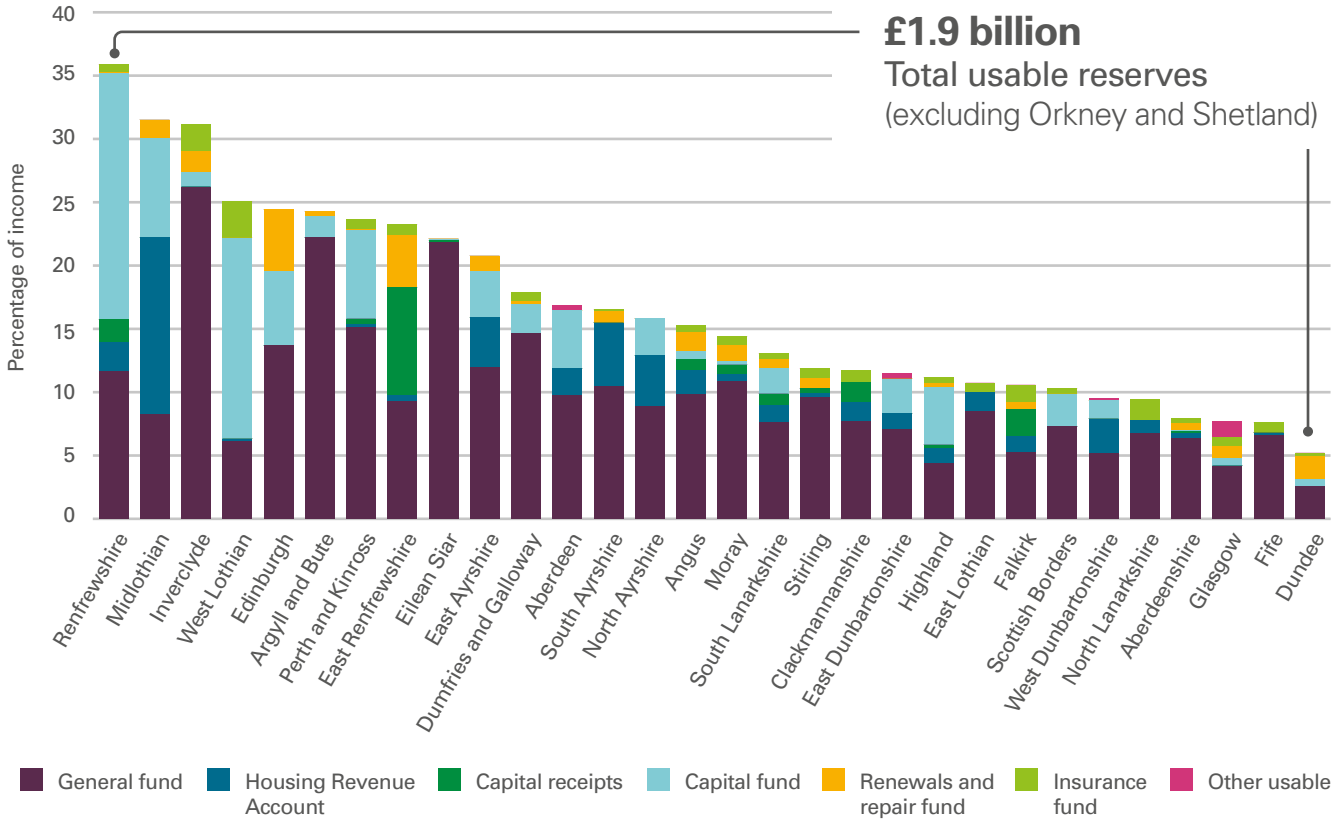
46. There is no prescribed minimal level of usable reserves. Typically councils' policies are to have a minimum uncommitted General Fund balance of between two and four per cent. Councils need to be clear about the reasons for the levels of reserves they hold to mitigate risks and support medium-term financial plans.

What is your councils reserves policy?

Exhibit 13

Council usable reserves at 31 March 2017

There are wide variations in the level of reserves as a proportion of income from general revenue grant, taxation and housing rents.



Note: Orkney and Shetland councils have reserves far in excess of those held by other councils and are excluded. We explain why this is the case in paragraph 9.

Source: Annual accounts 2016/17

47. At the end of their first full operational year, IJBs held usable reserves of £96 million, representing about 1.2 per cent of their total income of £8 billion in 2016/17. Reserves vary across IJBs. Not all integration schemes permit IJBs to hold reserves. Only North Ayrshire Council recorded an overspend. This was largely due to spending on social care services (Exhibit 14, page 27).

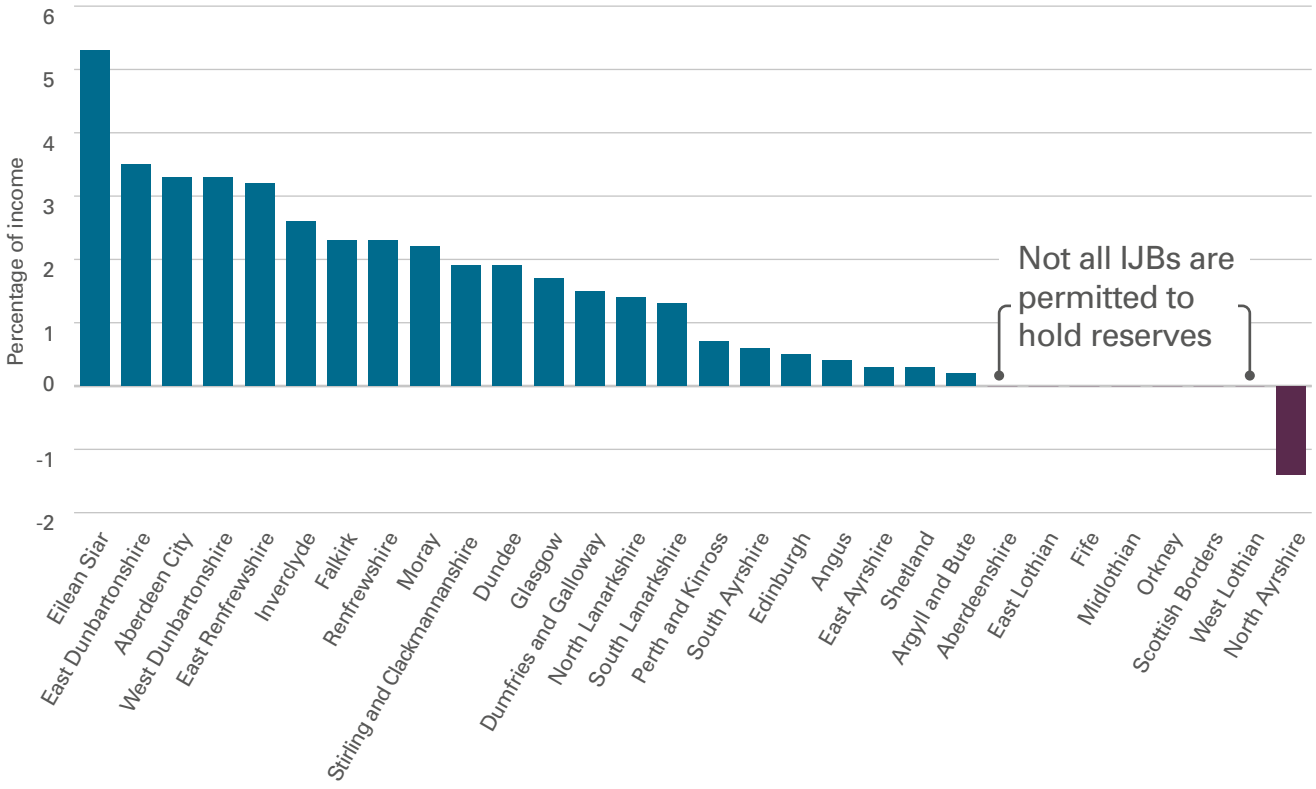
48. It is not clear from the accounts of IJBs to what extent reserves have been built up in a planned way, have arisen as a result of underspends on IJB activities or have been earmarked for transformation activity. There is a lot of pressure on the budgets of IJBs and reserves at the end of 2016/17 are not forecast to continue in future years. Further analysis of IJB accounts will help inform specific audit work on IJBs being carried out in 2018.

What are the different types of reserves your council holds? Do you know what these can be spent on?

Exhibit 14

IJB usable reserves as a proportion of 2016/17 income

Reserves vary across IJBs.



Note: Stirling Council and Clackmannanshire Council are members of the same IJB.

Source: Annual accounts 2016/17

Levels of debt have increased and some councils are concerned about future affordability

49. Following two years of reducing debt, councils' net debt increased in 2016/17 from £13.7 billion to £14.5 billion (excluding Orkney and Shetland). The increase in borrowing was lower than that originally planned when capital programmes were approved. This was primarily due to slippage in delivering capital programmes.

50. As with reserves, levels of debt vary widely across councils (Exhibit 15, page 28). 2016/17 saw an increase in the HRA borrowing requirement of about £140 million, with the 26 councils who provide social housing being actively involved in new council housing development. Collectively they plan to deliver about 13,000 homes by 2020/21. The cost of servicing additional HRA debt will be met from rental income.

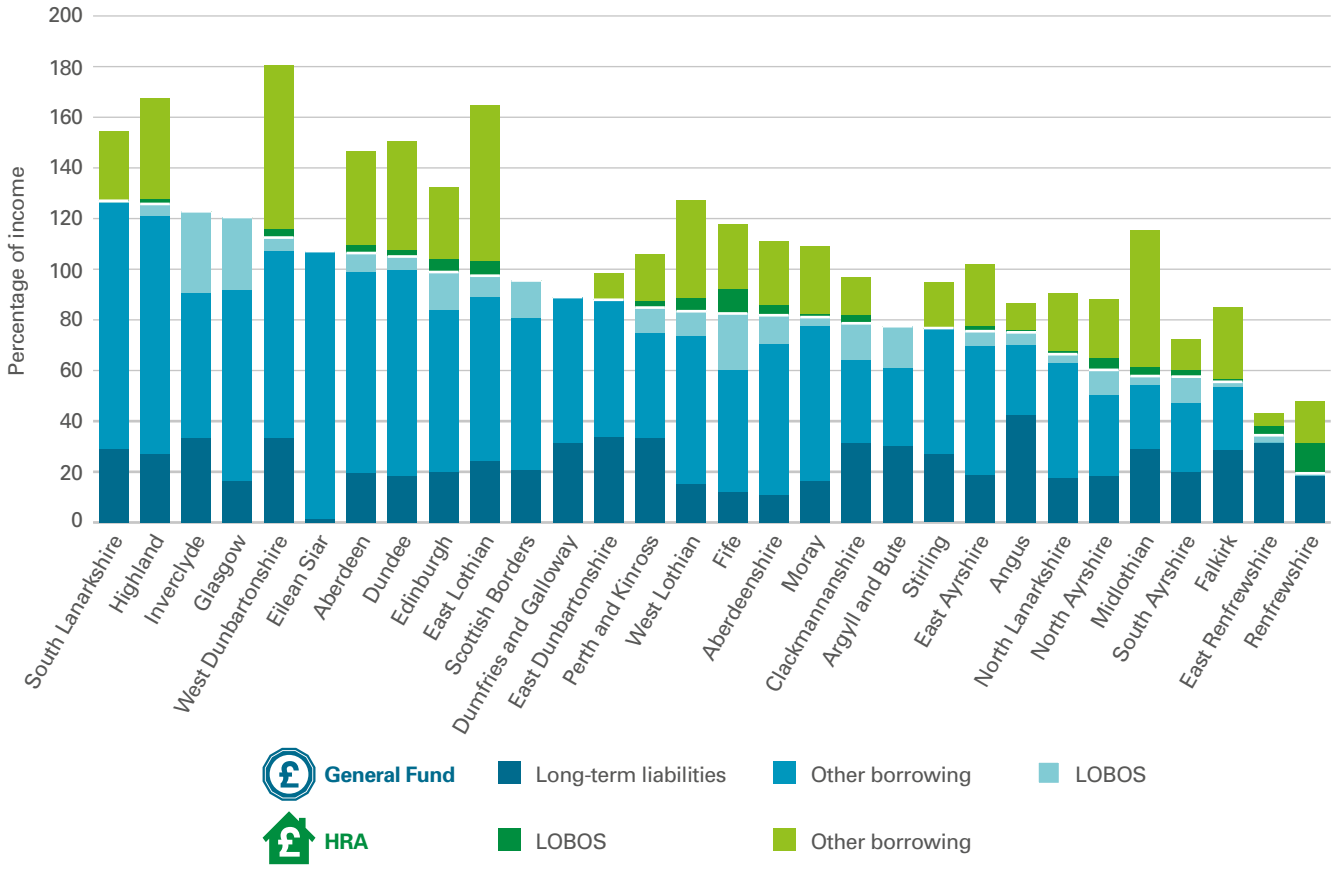
51. The ongoing costs associated with debt reduces the amount councils have available for day-to-day service expenditure. It is therefore important that assets are effectively supporting service delivery and strategic priorities. Higher levels of debt often result in higher costs for councils but actual interest and repayment costs will depend on the type of debt councils hold and the period over which it has to be repaid.

What are the levels of reserves held by your council's IJB? Are these in line with the IJB's reserve policy?

Exhibit 15

Council net external debt at 31 March 2017

Levels of debt held vary across councils as a proportion of income from general revenue grant, taxation and housing rents.



Note: Council debt has been allocated to General Fund and HRA in proportion to capital financing requirements.

Source: Annual accounts 2016/17

52. Despite debt increasing, the ongoing cost of servicing it, through the interest and repayment costs, reduced slightly in 2016/17. This in part reflects the lower interest rates available on new borrowing. It also reflects councils choosing to make lower voluntary debt repayments. On average, councils spent almost ten per cent of their income on interest and debt repayment (Exhibit 16, page 29).

53. Councils are required by regulation to consider the revenue impact of borrowing, ie its ongoing affordability. A large part of council debt has fixed interest rates which gives councils certainty about costs. However, this type of debt makes councils' assessment of longer term affordability more complex, requiring more detailed assumptions of future inflation and interest rates:

What share of your council's budget is taken up with interest payments and debt repayment?

- 'Lender option borrower option' loans (LOBOs) include options for the lender to increase interest rates. LOBOs account for about 11 per cent of council debt.

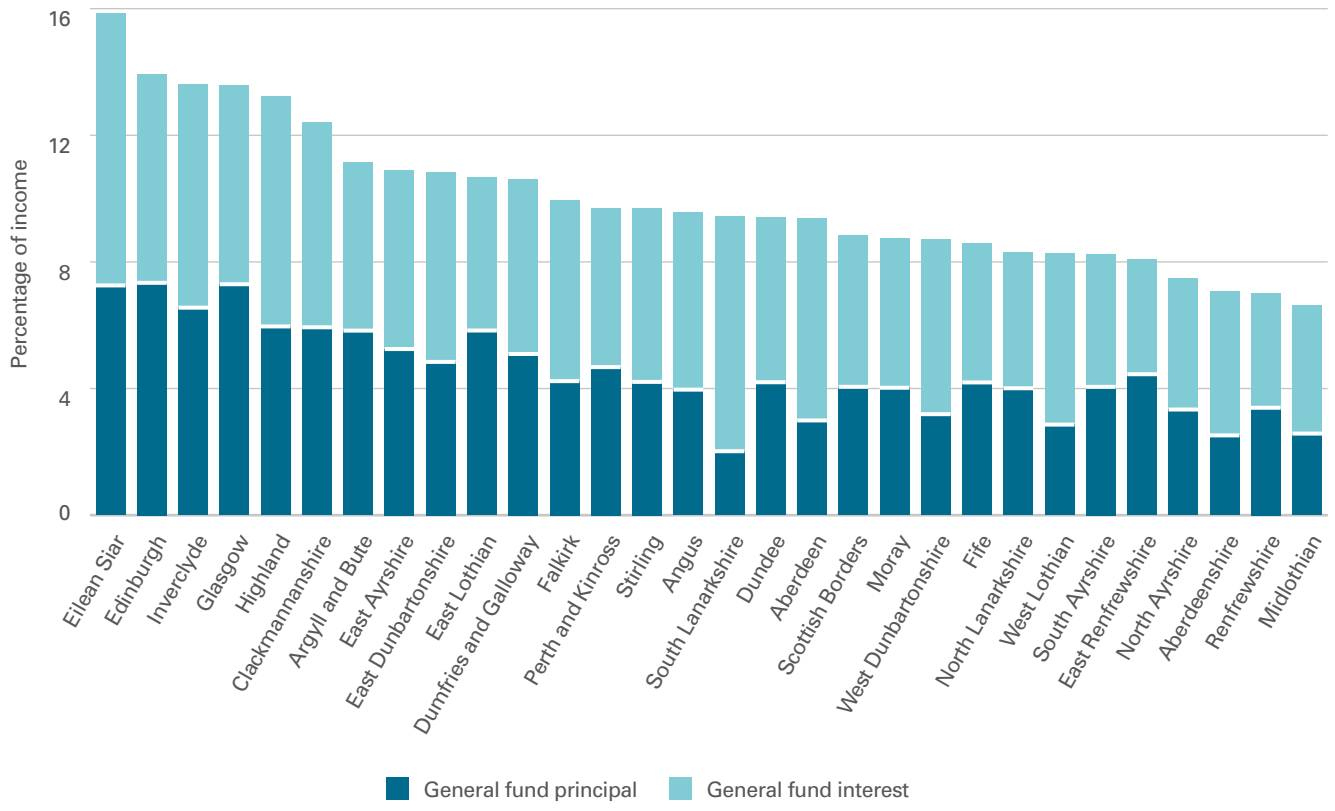
- PPP/PFI and indexed linked bonds include charges that increase with inflation. Projects financed using the Scottish Government's Non-Profit Distributing (NPD) programme (which replaced the previous long standing PPP/PFI programmes) also include an element of indexation but typically at lower levels. The value for money of newer NPD projects will be examined in detail in a joint report by the Auditor General and the Accounts Commission in 2019/20.

What proportion of your council's debt is linked to inflation (ie, subject to indexation)? What does that mean for longer term affordability?

Exhibit 16

Revenue cost of General Fund borrowing, 2016/17

Costs associated with debt vary across councils as a proportion of income from general revenue grants and taxation.



Source: Annual accounts 2016/17

54. Levels of debt and associated costs are set to rise in future. This is because councils have invested usable reserves in their capital programmes, something referred to as 'internal borrowing'. At the end of 2016/17 the amount of 'internal borrowing' was about £0.5 billion. Internal borrowing is usual treasury management practice for councils during periods when they would make a lower return from investing their usable reserves than it would cost them to borrow money. However, as councils increasingly rely on reserves to fund services they will need to replace internal borrowing with external borrowing, increasing their costs.

Councils continue to report significant slippage in delivering capital programmes

55. Councils spent £2.8 billion on capital projects in 2016/17, 84 per cent of their planned expenditure of £3.3 billion. Twenty-four out of 32 councils underspent against their capital budgets in both 2015/16 and 2016/17.

56. The reasons for slippage in delivering capital programmes are unclear. Management commentaries for the councils recording the largest slippage give reasons such as changes to project start dates, and one council identified weaknesses in the forward planning process. However, the consistent levels of capital slippage across the country suggest that councils are setting unrealistic budgets.

57. In our 2013 report *Major capital investments in councils* we noted 'that for most major projects completed within the previous three years, councils' early estimates of the expected costs and timetable were inaccurate, and recommended that better information was made publicly available'.[7] Our follow-up report in 2016 suggested councils had made limited progress on this recommendation.[8] Data for 2016/17 shows that councils still need to improve in this area.

Has non delivery of the capital programme (ie, slippage) been significant at your council in recent years? Why?

Net pension liabilities increased for councils despite large increases in pension fund assets

58. Overall, net pension liabilities on council balance sheets were approximately £11.5 billion at the end of 2016/17, an increase of 51 per cent on the previous year. This increase was mainly due to a change in actuarial assumptions used to value future liabilities. It was a good year for Local Government Pension Scheme (LGPS) investments, which increased by almost 22 per cent.

59. Not all council pension liabilities are the responsibility of the LGPS fund. Where councils have awarded added-year pension benefits as part of severance arrangements, for both teachers and other staff, they have to meet the ongoing cost of pensions themselves. This also helps explain why the increase in council liabilities outstripped investment returns. These liabilities are not matched with any pension fund assets.

Do you know the implications of your council's pension liabilities of staff retiring early?

60. Public service pension scheme benefits have been reduced on a number of occasions to make the schemes more affordable. However, pension contributions have been a significant cost pressure for councils in recent years. The need for any increase in employer contributions will be determined through the results of the 2017 triennial funding valuation. The LGPS 2015 includes a cost-sharing mechanism that will limit any future increase for employers. A supplement on the Local Government Pension Scheme is available on our website.

Provisions and contingent liabilities can be difficult to quantify and should be kept under review

61. Where councils have a known obligation and they can quantify the cost, they are required to make a provision in their accounts. Councils held provisions of £132 million at the end of 2016/17 covering areas such as equal pay compensation claims, teachers' maternity pay, holiday pay, insurance claims and landfill site reinstatement.[9]

62. Councils are also required to disclose potential liabilities that are still contingent on future events or which cannot be quantified reliably. Fourteen councils are disclosing contingent liabilities for equal pay claims that they are defending. Other contingent liabilities identified by a number of councils include those relating to holiday pay claims and potential claims arising as a result of changes to the legislation around historic child abuse.

Councils that have been proactive in making difficult decisions will be better placed to deal with future financial pressures

63. Councils have had to make difficult decisions in recent years in the light of falling resources and increasing demand for services. Councils that have a track record of effective leadership, self-evaluation, robustly addressing the financial challenges, and are implementing effective medium to long-term strategies and plans, will be in a better place than those that have avoided difficult decisions or not applied sufficient pace to making changes. That is not to say that the challenges faced by councils have necessarily been uniform. Differences in the resources available to them, the demand for services and the costs councils face as a result of their size and remoteness can also impact on their financial position (Exhibit 17, page 32).

64. The effectiveness of council leadership will be tested further in the years ahead given the increasing demand for services and likely funding scenarios that the public sector faces. Decisions made as part of budget-setting for 2017/18 together with the financial outlook are considered in Part 1 (page 10).

Exhibit 17

Main determinants of a council's financial position

There are number of factors that affect a councils financial position.

Source: Audit Scotland

Part 3

Financial outlook

Key messages

1. The financial outlook for councils remains challenging with further real-terms reductions in funding and a range of cost and demand pressures on budgets.
2. In total councils approved £317 million of savings and the use of £105 million of reserves when setting budgets for 2017/18.
3. Some councils relying heavily on the use of reserves to fund services will need to take remedial action or they will run out of General Fund reserves within two to three years.
4. Robust medium-term financial strategies and savings plans are increasingly critical to the financial sustainability of councils.
5. Strong leadership is increasingly important and it is essential that councillors work effectively with officers, their partners and other stakeholders to identify and deliver necessary savings. It is important that councils engage with local communities when planning and delivering services and identifying savings.

the financial outlook for councils remains challenging

Council funding continues to fall as cost pressures increase

Scottish Government funding fell again in real terms for 2017/18

65. Councils received a further real-terms reduction of 2.3 per cent in their funding from the Scottish Government for 2017/18, reflecting the overall trend and direction of travel (Exhibit 18, page 34).

66. Councils' funding continues to include money targeted at delivering national policy commitments that restricts the overall flexibility in their budget setting. In 2017/18, this included £120 million provided for the school attainment fund and £88 million for maintaining pupil teacher ratios and for the teachers' induction scheme.

How is your council preparing for any further real terms reduction in Scottish Government funding?

Exhibit 18

Scottish Government revenue funding to councils

Local government funding fell in real terms in 2017/18 compared to 2016/17.

	2017-18 £000	Change on 2016-17 %
Cash terms		
NDR	2,666	-3.7 ▼
Revenue Grant	6,974	0.5
Total revenue funding	**9,639**	**-0.7 ▼**
Additional resource via IJBs	357	
	9,996	**0.4 ▼**
Real terms – 2016/17 prices		
NDR	2,623	-5.3 ▼
Revenue Grant	6,862	-1.1 ▼
Total revenue funding	**9,485**	**-2.3 ▼**
Additional resource via IJBs	351	
	9,836	**-1.2 ▼**

Source: Scottish Government Finance Circular 1/2017

Reductions in Scottish Government funding were only partly offset by the end of the council tax freeze

67. The council tax freeze ended in 2017/18. Twenty-four councils chose to increase council tax, with 21 approving the maximum three per cent permitted. Fourteen councils chose to remove the ten per cent discount on second homes, another option for increasing revenue. For some councils, additional income from second homes is not significant.

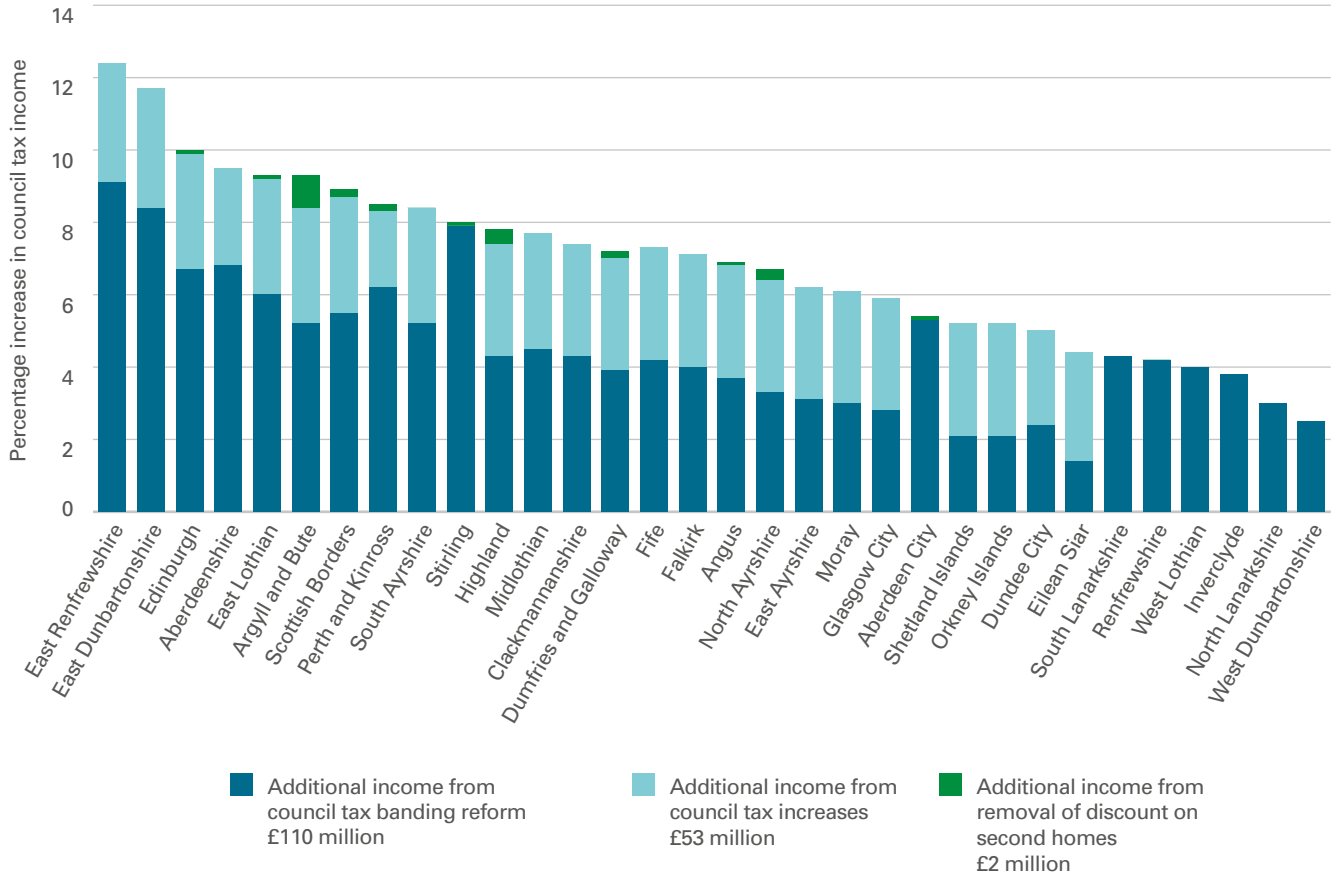
68. There were reforms to council tax banding multipliers for 2017/18 that resulted in a further £110 million of council tax due across the 32 councils. This will be available in full as additional income to be spent in the local authority area it is collected. Exhibit 19 (page 35) shows the additional income councils are due from council tax in 2017/18.

If your council plans to raise council tax, do you know how much it will raise? How will you communicate and explain the reasons for the rise to constituents?

Exhibit 19

Increase in council tax by council, 2017/18

Council tax in 2017/18 has risen as a result of reforms and the end of the council tax freeze.



Note: Council tax due before any discounts are applied.

Source: Scottish Government Finance Circular 1/2017, Council tax banding information and SPICe

Delivering savings is critical for councils' financial sustainability

Councils approved savings of £317 million and the use of £105 million of reserves when setting budgets for 2017/18

69. When setting budgets for 2017/18, councils had to take into account a number of new cost pressures, including:

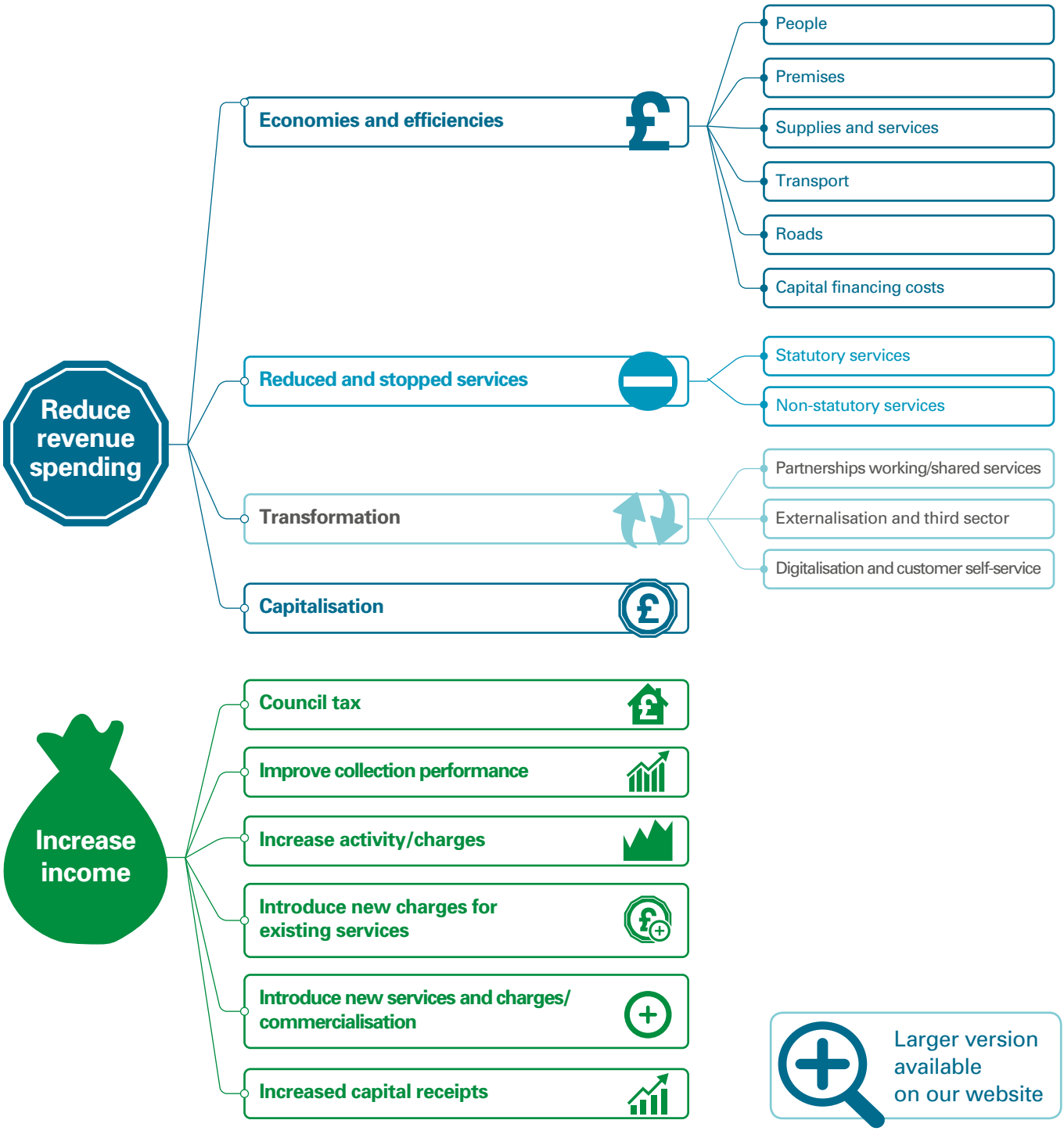
- the introduction of the apprenticeship levy of 0.5 per cent of pay bills above £3 million
- the requirement to meet the first full year effect of the living wage
- meeting HMRC guidelines on paying the national minimum wage for care workers when sleeping over
- non-domestic rates (NDR) revaluation.

70. In balancing funding reductions and cost pressures, councils' 2017/18 budgets included approved savings of £317 million and the use of £105 million of General Fund reserves. Common measures taken by councils to close their funding gaps in 2017/18 are set out in Exhibit 20. Not all initiatives to reduce expenditure are savings, some simply deferred expenditure by moving it from revenue to capital.

Does your council have a savings plan? What are the options to close future funding gaps?

Exhibit 20

Measures taken by councils to close their funding gaps in 2017/18



Larger version available on our website

Source: Audit Scotland, analysis of budget setting reports 2017/18

Some councils will need to take remedial action or they will run out of General Fund reserves within two to three years

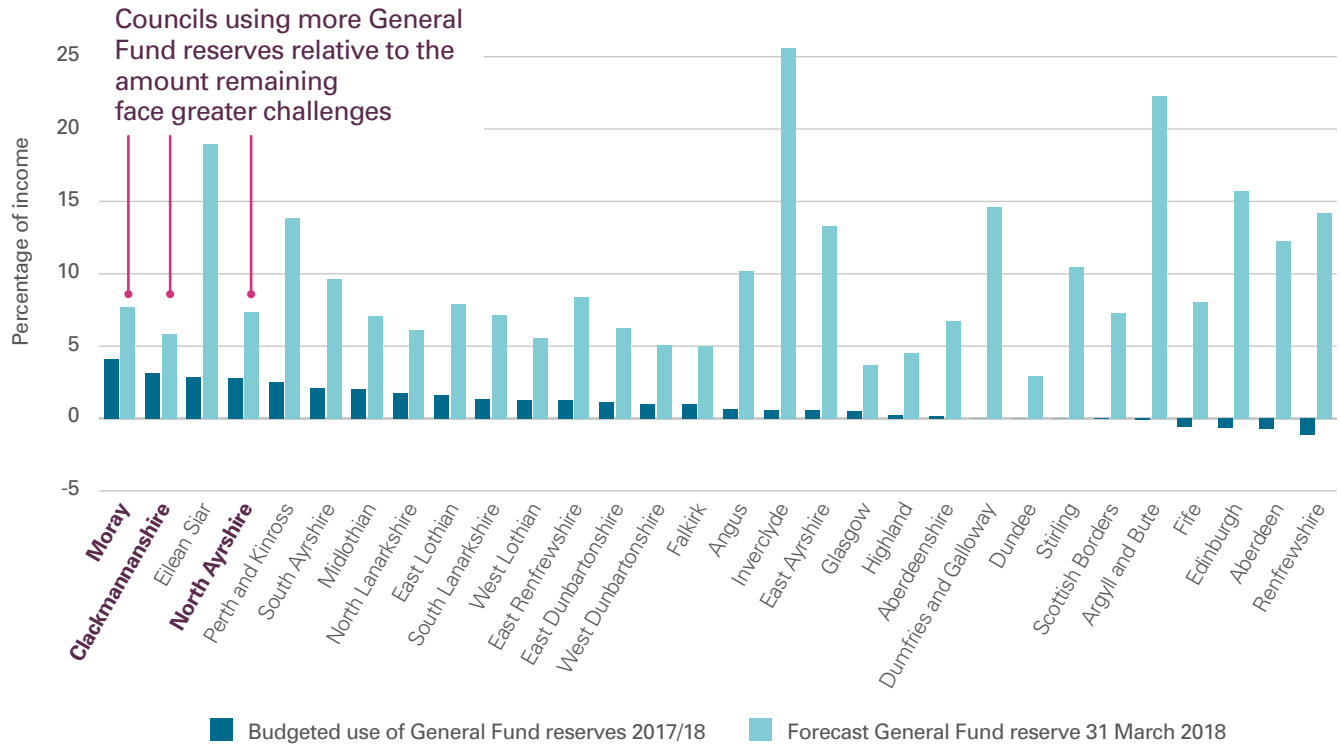
71. Some councils' plans for 2017/18 have relied more heavily than others on using reserves to bridge funding gaps. A number of these councils could have relatively low levels of General Fund reserves remaining at the end of the year (Exhibit 21).

What is the likely use of reserves for 2017/18? How does this compare to forecast funding gaps?

Exhibit 21

Budgeted use and remaining levels of General Fund reserves, 2017/18

Two-thirds of councils budgeted to use reserves in 2017/18.



Source: Annual accounts and auditor funding gap returns 2017

72. Councils using reserves to support services in 2017/18 will be faced with having to identify larger savings in 2018/19 or again using reserves. However, using General Fund reserves at the current rate is not an option for some councils – Clackmannanshire, Moray and North Ayrshire councils would run out of General Fund reserves within two to three years if they continued to use them at the level planned for 2017/18.

73. Forecasts made by councils when setting their budgets for 2017/18 indicated the overall local government funding gap would increase to about £350 million in 2018/19 and to about £650 million in 2019/20.[10]

74. Since setting 2017/18 budgets, councils will have changed their plans for the current year and updated their forecast funding gaps for 2018/19 and beyond. A number of factors have created further potential pressures and uncertainties, for example:

- ongoing demand pressures from people living longer and population growth
- ongoing cost pressures from general inflation

What is your council's financial position? What particular challenges does it face?

- increased staffing costs from staff moving up pay scales, proposals to end the public sector pay cap and potential increases in employers' pension contributions following the LGPS triennial funding valuation
- income and rent collection potentially becoming more difficult and costly as a result of increased charges and the continued roll-out of Universal Credit
- interest rate rises
- the potential impact from changes to NDR (as outlined in Exhibit 22)
- potential impacts from the process of withdrawal from the European Union.

Exhibit 22

Barclay review of non-domestic rates (NDR) 2017

The Barclay review recommended removing NDR relief for councils' ALEOs.

Councils collect NDR and pay this into a central pool, which is redistributed back to councils by the Scottish Government.

The Government established the Barclay review group in 2016 to make recommendations that would 'enhance and reform' NDR in Scotland. The review aimed to:

- better support business growth and long-term investment
- reflect changing marketplaces
- retain the same level of income (recommendations would be 'revenue neutral').

The review concluded that some form of NDR was still appropriate. The recommendations in the report focused on measures to support economic growth, improve how the system is administered and increase fairness in the system.

In seeking increased fairness, the review recommended that councils' NDR relief for ALEOs should be removed. The review recommended that legislation be changed to remove relief for ALEOs and, in the interim, that the Scottish Government should adjust its funding to recoup an estimated £45 million of ALEO funding from councils. The review recommended this is applied from April 2018.

The Scottish Government has accepted many of the points of the Barclay review, but the recommendation around ALEOs is still being considered. The Accounts Commission will examine ALEOs in more detail in a report to be published in May 2018.

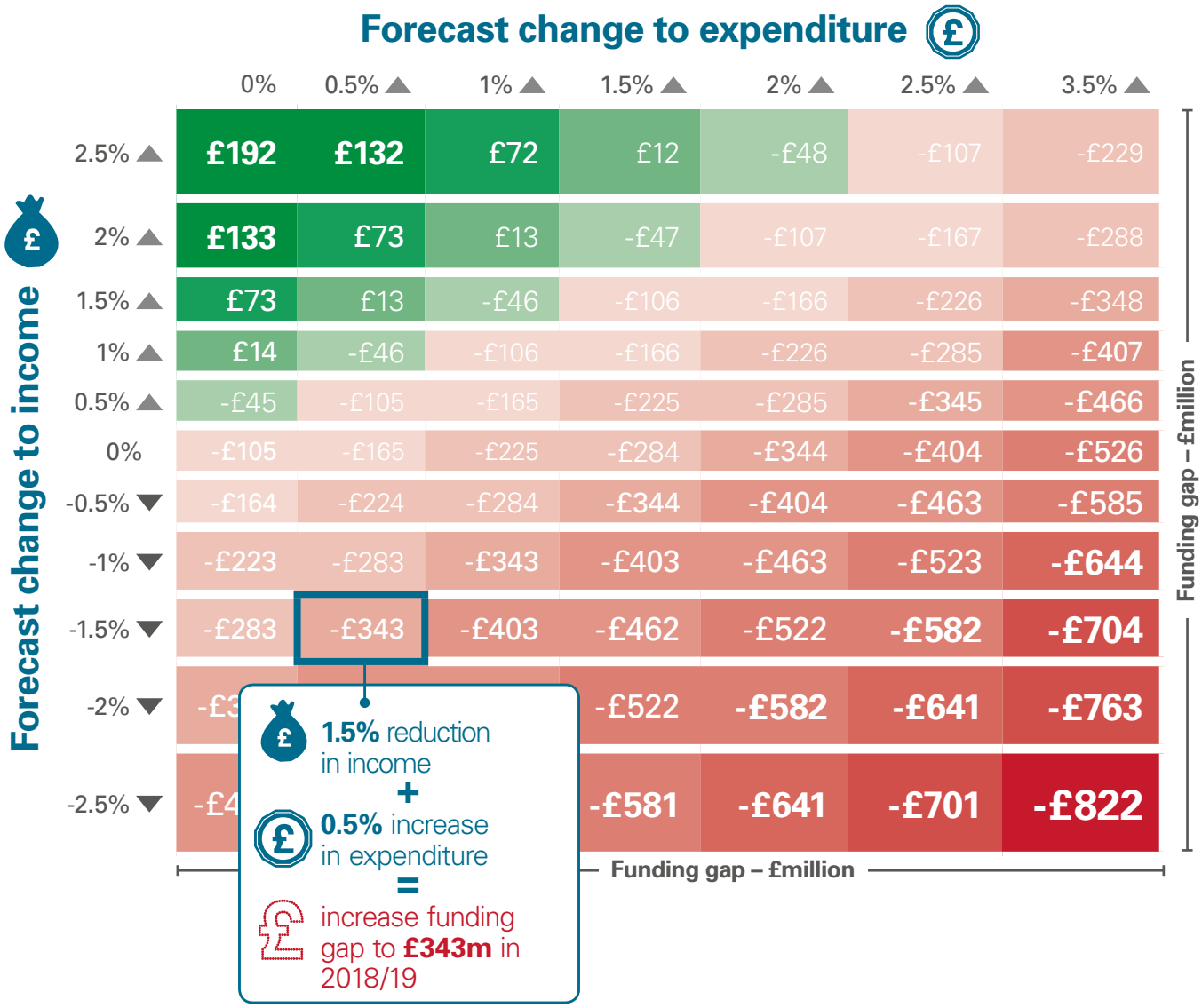
Source: Report of the Barclay Review of Non-Domestic Rates, August 2017

75. Uncertainty means that councils need to prepare for a range of possible scenarios both in terms of costs and funding and different savings options available to them. For example, if councils were to apply a further three per cent increase in council tax in 2018/19 this would raise about £68 million in additional income. In contrast, applying a one per cent increase to staff salaries would cost about £70 million. Even a small proportional increase above this as a result of lifting the public sector pay cap would have further significant costs. Exhibit 23 shows the overall impact of various income and expenditure scenarios on the size of the total funding gap across councils for 2018/19.

Exhibit 23

Council funding gaps scenarios, 2018/19

In the absence of further savings, councils would use around £343 million in 2018/19 if expenditure were to increase by 0.5 per cent and income decrease by 1.5 per cent.



Source: Audit Scotland funding gap returns

Savings plans should be scrutinised and the impact assessed

76. CIPFA's report on building financial resilience and managing financial stress in local authorities highlighted the importance of planning for savings over at least a three-year period, and the need for robust challenging of plans as part of the scrutiny process.[11] In previous reports, the Accounts Commission has highlighted the need for councils to adopt this practice.

77. Regular updates on forecasts of funding gaps as savings are approved enable councillors to better understand the impact of the savings decisions they are making. However, currently only about half of councils routinely update their three-year financial forecasts as part of their annual budget-setting process.

78. To achieve effective financial management, long-term planning is essential. It is important that councils continue to consider likely funding scenarios and what this means for council services in the longer term as well as the medium term. For councils with lower levels of reserves, financial plans need to be increasingly detailed and robust. This will mean more work for officers and members in clearly identifying savings and assuring themselves that they have the capacity to deliver their intended plans.

79. It is important that savings plans are clear and that the impact on services is understood. Savings should be realistic and achievable. Where funding reductions are passed on to other bodies, such as ALEOs and IJBs, by reducing council contributions to them, it is equally important to assess the impact on service users and communities. Risks associated with income generation initiatives or arising from cuts to services should be explicit and considered by councillors as part of their scrutiny role.

80. Medium-term financial strategies should ensure that both revenue and capital budgets are aligned with corporate plans and that the revenue impact of capital expenditure is understood. Savings from service redesign and other initiatives need to be monitored effectively to ensure that plans and strategies continue to be relevant and accurate.

Does your council have a medium term financial strategy aligned with corporate objectives?

How does annual budget setting link to medium term financial planning?

What impact will savings have on the delivery of services? What are the potential risks?

Longer-term affordability of capital programmes should be kept under review

81. Council capital programmes for 2017/18 are broadly in line with those for 2016/17, with General Fund budgets at about £2.6 billion and HRA budgets at about £800 million.

82. Councils are required to consider the affordability of their capital programmes and any new borrowing before approving them each year. Assessments will include consideration of:

- existing debt levels and servicing costs and how these may increase
- capital reserves available
- impact on running costs, eg reduced overall running costs arising from invest to save initiatives
- additional income streams that can be used to service borrowing

How clearly does the council's capital programme link with the asset management plan and corporate objectives?

- additional funding available, eg Scottish Government funding for NPD projects, additional capital grants in respect of the City Deals (a recent initiative backed by UK and Scottish governments).

83. As revenue resources reduce, and the cost of some debt increases, it is becoming increasingly important for councils to keep the longer-term affordability of their borrowing under review. The need for robust business cases setting out how new capital expenditure will support corporate objectives is key. Capital finance and treasury management are areas covered by regulation and where councils also take professional advice. A key treasury management issue facing councils is the risk around interest rate rises, which makes decisions about the timing of borrowing important. If councils borrow in advance of their need they will incur additional interest costs in the short term. However, if the interest rates go up before councils borrow then they will be faced with paying higher interest rates for the term of any new borrowing. Recently a number of councils have been turning to short-term borrowing to keep their interest costs down but this strategy is not without risk and it is important that councils are clear about these in their plans and reports.

Effective leadership is increasingly important in maintaining financial sustainability

84. The Accounts Commission recognises that the financial challenges facing councils will inevitably mean councillors need to make difficult choices and take decisions that may not sit neatly with the manifestos they were elected on in May 2017. This requires effective political leadership and effective communications. It is essential that councillors work effectively with officers, council partners and other stakeholders to identify and deliver necessary savings. It is important that councils engage with local communities when planning and delivering services and identifying savings. We published a report *Roles and working relationships in councils – Are you still getting it right?* (November 2016) to support councillors in their difficult and challenging role.

What additional training would you like to receive to develop your knowledge and skills in financial scrutiny?

Addressing the underlying demand for services through transformation is key to longer-term sustainability

85. Given the scale of the challenge facing councils, we are of the view that the sustainability of some services will be increasingly dependent on the ability of councils and their partners to address the underlying demand for them. With health and social care integration, for example, much depends on the extent to which resources can be switched from treatment to prevention. Council transformation programmes need to identify and deliver changes of this nature over the longer term. It is important that councils give careful consideration to their capacity to support such change when making savings as part of budget setting.

86. The extent to which council transformation plans are delivering real changes to the way services are being delivered will be explored further in the second of our local government overview reports planned for publication in April 2018.

What measures in the council's corporate and transformational plans are aimed at addressing the underlying demand for services?

Endnotes

1 We published the first of three planned audits on health and social care integration in 2015: *Health and social care integration*, December 2015. Our next national audit in this area will be carried out in 2018/19. Annual audit plans and reports for each IJB are also published on Audit Scotland's website.

2 This excludes income received from arm's-length external organisation (ALEOs) providing services such as leisure services on behalf of the council.

3 *Fiscal issues facing Local Government in Scotland*, Fraser of Allander Institute, March 2017.

4 East Lothian Council, Highland Council (Inverness Jobcentre only), East Dunbartonshire, Midlothian Council and Inverclyde Council (no council stock – therefore no arrears).

5 ALEOs are separate bodies councils create to deliver services that they previously delivered in house.

6 *Building financial resilience: managing financial stress in local authorities*, CIPFA, June 2017.

7 *Major capital investment in councils*, Accounts Commission, March 2013.

8 *Major capital investment in councils: follow-up*, Accounts Commission, January 2016.

9 For more detail on councils' implementation of equal pay, see the Accounts Commission's *Equal pay in Scottish councils* report.

10 This forecast is based on the average of available forecasts.

11 *Building financial resilience: managing financial stress in local authorities*, CIPFA, June 2017.

Local government in Scotland

Financial overview 2016/17

This report is available in PDF and RTF formats, along with a podcast summary at:
www.audit-scotland.gov.uk

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AUDIT SCOTLAND

Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
T: 0131 625 1500 E: **info@audit-scotland.gov.uk**
www.audit-scotland.gov.uk

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Governance, Risk and Best Value Committee

10.00am, Tuesday, 16 January 2018

Internal Audit: Overdue Recommendations and Late Management Responses: as at 26 October 2017

Item number	7.5
Report number	
Executive/routine	
Wards	
Council Commitments	

Executive summary

This report sets out all overdue Internal Audit recommendations across the Council providing further status updates and likely implementation dates where they have been provided by Service Areas (Appendix 1).

There were 65 open Internal Audit recommendations across Service Areas as at 26 October 2017. Of these 31 (48%) are overdue. This remains the same as the position reported to CLT on 4 October 2017 (as at 22nSeptember). During the period 6 overdue recommendations were closed and a further 6 are now reporting as overdue.

This report also highlights audit reports that have been issued in draft where final management responses have not been received within our two-week service standard. There were currently 2 draft reports where management responses were not received within the two-week requirement, and 1 report that has been delayed due to changes in the Internal Audit team. Further details are provided at 3.14

EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

Report

Internal Audit: Overdue Recommendations and Late Management Recommendations: as at 26 October 2017

1. Recommendations

1.1 The Governance Risk and Best Value (GRBV) Committee is requested to:

1.1.1 Note the status of the overdue Internal Audit recommendations as at 26th October 2017;

1.1.2 Note that there are currently 2 reports issued in draft where management responses have not been received within our two-week service standard, and 1 report that has been delayed due to changes in the Internal Audit team; and

1.1.3 Note the proposals approved by the Corporate Leadership Team (CLT) included at section 3.2 to address challenges associated with timing of audit responses received and quality of evidence provided to support closure of recommendations.

2. Background

2.1 The GRBV Committee and CLT have both expressed concerns about the number of overdue Internal Audit recommendations. Currently, the status of overdue recommendations is reported monthly to CLT and quarterly to GRBV.

2.2 It is anticipated that the greater visibility that this monthly reporting provides will result in more Internal Audit recommendations being closed off in a timely manner.

2.3 At the CLT meeting on 10 July 2017, revised proposals for monitoring and reporting on overdue Internal Audit recommendations were approved. This paper provides an update on overdue recommendations in line with the revised approach.

2.4 The Internal Audit definition of an overdue recommendation is any recommendation where all agreed actions have not been implemented by the final date agreed and recorded in Internal Audit reports.

3. Main report

3.1 The revised Internal Audit Process to obtain updates from Service Areas on all open recommendations by the 15th of each month was implemented in September

2017. This has resulted in more proactive engagement on both open and overdue recommendations Service Areas, however, a number of updates were received late which delayed our reporting. For future reports, the cut off previously agreed with CLT (15th of the month or nearest Friday) will be strictly applied.

3.2 Quality of evidence provided to support validation remains a challenge. Agreed actions are often confirmed as completed by Senior Management whilst subsequent Audit validation confirms that controls have not been fully and effectively implemented. This results in Audit providing further advice and often reperforming validation work to support final closure. The following actions are proposed to address this challenge:

- Each Service Area to nominate a representative who will be responsible for coordination of all audit updates and responses (including provision of evidence).
- IA to facilitate a workshop with all representatives explain the validation process and expectations in relation to quality of evidence to support closure of recommendations.
- Wider Leadership Team (WLT) slot has been requested to focus on validation of Audit recommendations with WLT members. The Communications Team has advised that the WLT meeting structure and content is being reviewed and this may not be the most appropriate forum. CLT decision is required on whether to progress.
- The audit guidance that was developed and distributed in September is being discussed with Service Areas when finalising audit reports and issued with each final report.

3.3 There were 65 open Internal Audit recommendations across Service Areas within the Council as at 26th October 2017. Of these 31 (48%) are overdue (5 High; 23 Medium; and 3 Low). This remains the same as the position reported to CLT on 4 October 2017 (as at 22 September). During the period 6 overdue recommendations were closed and a further 6 are now reporting as overdue.

3.4 Six Medium rated overdue recommendations have been closed across the following Service Areas:

- Strategy and Insight (3 Medium)
- Resources (1 Medium)
- Place (1 Medium)
- Integration Joint Board (1 Medium)

3.5 Six recommendations became overdue as at 26 October 2017. These are:

- Strategy and Insight (1) – 1 High (HSC1604ISS.2 – IJB Data Integration and Sharing)
- Resources (3) – 1 High (RES1704ISS.5 - Starters); 1 Medium (RES1608ISS.2 – Risk Management); 1 Low (RES1608ISS.4 – Risk Management)

- Investment and Pensions (1) – 1 Medium (RES1614ISS.2 – Cyber Security)
- Health and Social Care (1) – 1 Medium (SW1601ISS.4 – Social Work pre-employment verification)

Progress updates and revised implementation dates have been provided for 5 of these recommendations. The Chief Executive LPF is committed to ensuring that an update is provided on the overdue Investments and Pensions recommendation for next month.

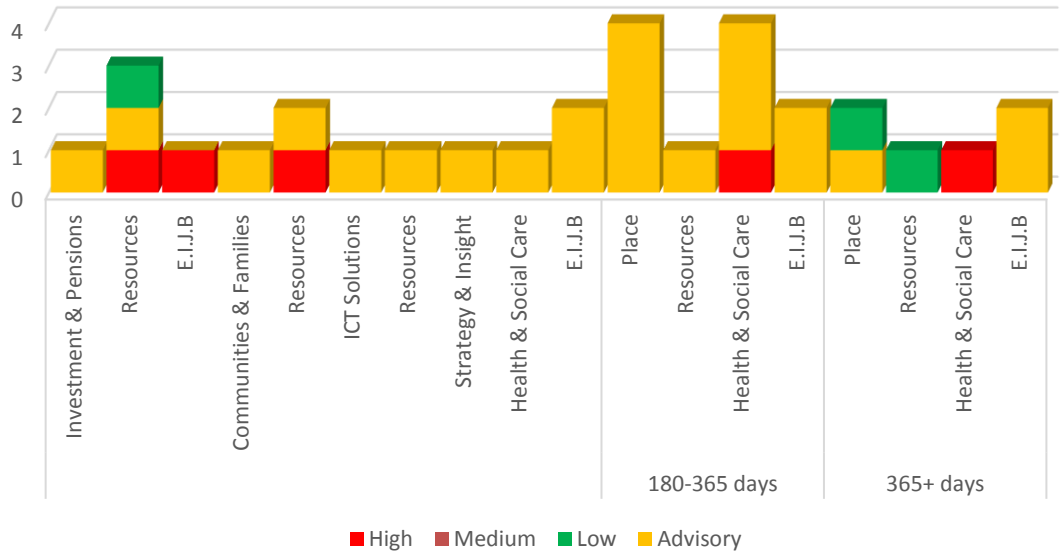
3.6 Eleven recommendations are due for completion by 31st October 2017. These are:

- Integration Joint Board (1) – 1 High (HSC1604ISS.1 – IJB Data Integration and Sharing)
- Place (1) – 1 High (PR1701ISS.1 – Ross Band Stand)
- Resources (1) – 1 High (RES1603ISS.3 – Leavers);
- Safer and Stronger (2) – 2 High (SSC1701ISS2 and ISS4 - Homelessness)
- Council Wide (6) – 6 Low actions across all Service Areas (RES1605ISS.1 – Service Level Agreements). Note that Health and Social Care action has been completed.

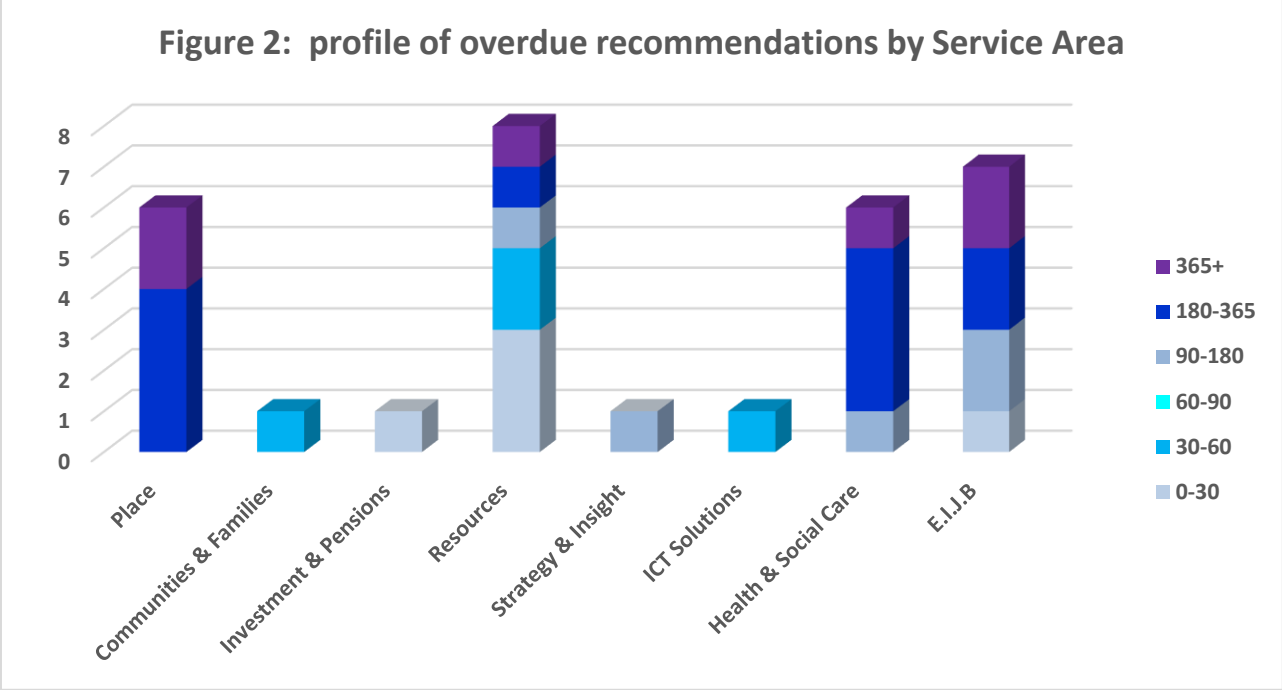
3.7 No recommendation ratings have been downgraded since the last CLT report.

3.8 Figure 1 illustrates the ageing profile of all overdue recommendations by rating across Service Areas. Of the 31 overdue items, 17 are more than 180 days overdue (2 High; 13 Medium; and 2 Low) in comparison to 12 last month, with 6 of the 12 (1 High, 3 Medium and 2 Low) more than 365 days overdue in comparison to 5 last month.

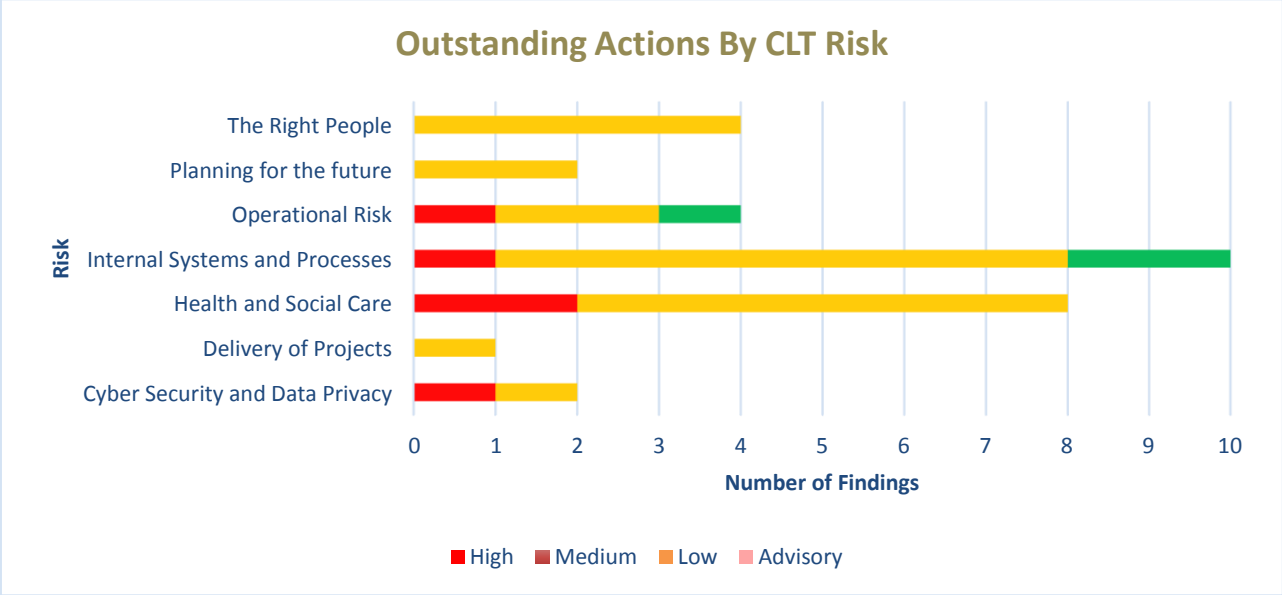
Figure 1: Aged profile of overdue recommendations by ratings across Service Areas



3.9 Figure 2 highlights the ageing profile of overdue Internal Audit recommendations for each Service Area.

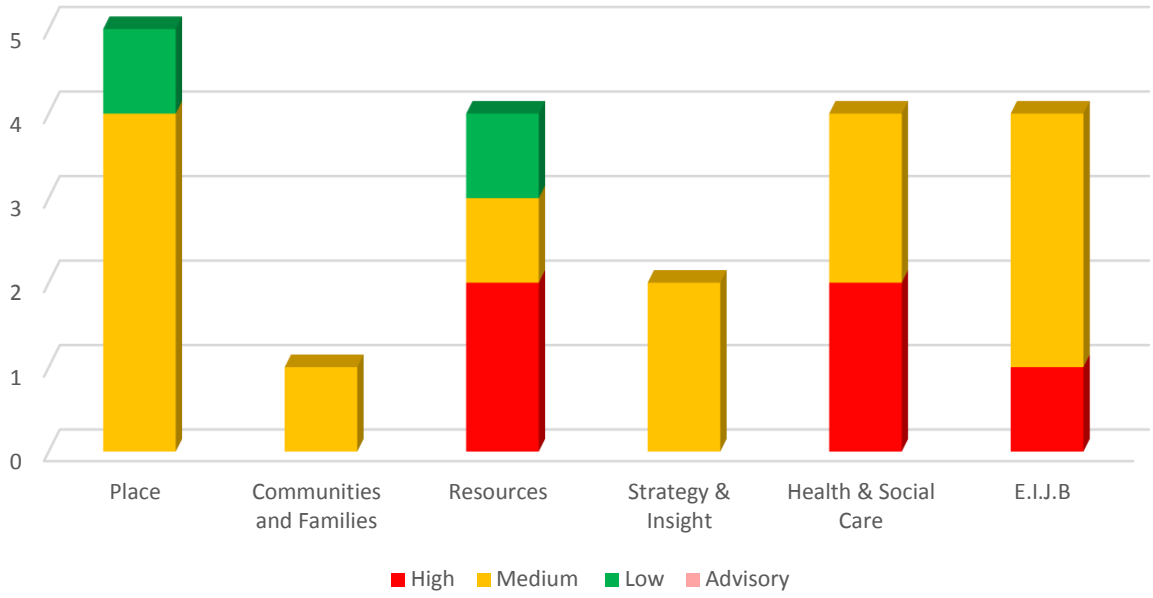


3.10 Figure 3 correlates the current top Corporate Leadership Team risks with the relevant overdue Internal Audit recommendations. The Council's primary risk exposures as a result of overdue recommendations are Health and Social Care and Internal Systems and Processes.



3.11 Figure 3 illustrates that there are 20 overdue recommendations where completion dates have been revised more than once since the implementation dates agreed with Service Areas when finalising audit reports. This is an increase of 5 in comparison to last month. This increase is driven by Place (1); Resources (2) and Strategy and Insight (1).

Figure 3 : More than one revised completion date across Service Areas



3.12 There were 4 recommendations across Lothian Pension Fund (1) and Resources (3) where closure was originally dependent on implementation of the new Business World System.

These have now been closed and validated based on implementation of alternative (manual) controls.

3.13 There are 4 open (not overdue) recommendations where agreed dates for specific actions have been missed. These are:

- Integration Joint Board – Data Integration and Sharing (HSC1604ISS.1 – High). Initial action date 30 August, the full recommendation is due for closure by 31 October.
- Strategy and Insight – Complaints Process (CF1619ISS.1 – Medium). Initial action date was 31 August. This action date has been revised to 31 July 2018, the full recommendation is due for closure by 31 March 2019.
- Strategy and Insight - ICO Follow Up (RES1606ISS.2 – Medium). Initial action date was 30 May. This action date has now been revised to 31 August, with the full recommendation due for closure by 31 March 2018.

- Safer and Stronger Communities – Homelessness (SSC1701ISS.4 – Medium). Initial action date was 30th September 2017, the full recommendation is due for closure by 31st October.

3.14 Internal Audit has categorised all overdue Internal Audit actions by Directorate showing the latest status updates where received. The detailed results of this categorisation are set out in Appendix 1.

3.15 There were 3 Internal Audit reports issued in draft where management responses have not been received within our two-week service standard. These are:

- Resources - Lothian Pension Fund – Information Governance – report has now been issued in final.
- Resources – Property and Asset Management Strategy – impacted by annual leave during the October week for schools. Management responses have now been received and we are aiming to finalise by Friday 3 November.
- Resources – Customer Transformation Programme. Review was subject to handover from the Principal Audit Manager who left in August to the Chief Internal Auditor. Further work was required and has now been completed with a report out in draft for management comment. Audit should have been completed by end August 2017.

4. Measures of success

4.1 An increase in the implementation and closure of Internal Audit recommendations within their initial estimated closure date.

5. Financial impact

5.1 Not Applicable.

6. Risk, policy, compliance and governance impact

6.1 If Internal Audit recommendations are not implemented, the Council will be exposed to the risks set out in the relevant detailed Internal Audit reports. Internal Audit recommendations are raised as a result of control gaps or deficiencies identified during reviews therefore overdue items inherently impact upon effective risk management, compliance, and governance.

7. Equalities impact

7.1 Not Applicable.

8. Sustainability impact

8.1 Not Applicable.

9. Consultation and engagement

9.1 Not applicable.

10. Background reading/external references

10.1 Not Applicable.

Lesley Newdall

Chief Internal Auditor

E-mail: lesley.newdall@edinburgh.gov.uk | Tel: 0131 469 3216

11. Appendices

Appendix 1 – Status report: Outstanding Recommendations Detailed Analysis

Unique No	Project Code	Project Name	Group	Issue Cod	Rating	Finding	Business Implication	Recommendation	Agreed Management Action	Status	Due Date	Revised Date	Revisions	Status Update	Owner
Communities & Families															
CF1619 ISS.3	CF1619	Complaints Process	C&F	ISS.3	Medium	The Chief Social Work Officer conducted a review of complaints handling for secondary schools in 2015, and surveyed the head teachers of the 18 secondary schools which had not recorded a complaint in the previous 2 years. 9 head teachers responded that they were unsure what type or level of complaint should be shared with the Advice and Complaints (Education) Service; and 4 acknowledged that they had not followed the complaints procedure. Perhaps as a result of increased a wareness of the complaints procedure following the Chief Social Work Officer ' s review, at least one Stage 1 complaint was recorded by each secondary school in 2015/16 or 2016/17. However, 29 primary schools have not recorded a Stage 1 complaint in 2015/16 or 2016/17. This represents 32% of the primary school estate. It seems unlikely that these schools did not receiv e any complaints in that period. This suggests that the Communities & Families complaints performance data is likely to be incomplete.	Performance information is inaccurate as it does not include all Stage 1 complaints; There is a risk that complaints are not being reported / handled approp riately by the schools, meaning problems are not addressed early on and may escalate; Communities and Families do not have complete management information on complaints, so can not identify and address common service issues.	We recommend the Advice & Complaints (Education) Service issues guidance to schools on what is considered a complaint, and how a complaint should be handled and recorded. This may be delivered most effectively through forums such as the Communities & Families Risk Group or Head Teachers Groups. We note that complaints recording is more difficult in schools as they cannot use Capture and complaints can only be recorded on Jadu once resolved. As noted in Finding 1 , the Council is procuring a new complaints handling system and will o verhaul the complaints handling process as part of this. We recommend that Communities & Families Advice & Complaints (Education) Service works with Strategy Insight to ensure that their complaints handling processes are aligned, and messages to head teach ers are consistent.	The current Jadu form will be reviewed, in consultation with the wider work ongoing within Strategy & Insight, to ensure that complaint information can be collected at an earlier stage in the process.	Overdue	31/08/17	31/07/18	31/08/17 31/07/18	October Update : The complaints action cannot progress in isolation as there is a Council wide complaints project underway which will determine the way our complaints are recorded. The update provided in September which is recorded in the spreadsheet provides the details. There is nothing further we can add at this time. September Update : 11/09/17 - The current Jadu form will be reviewed, in consultation with the wider work ongoing within Strategy & Insight, to ensure that complaint can be collected at an earlier stage in the process. As a result of the Corporate Review of Complaints, a Corporate Complaints Improvement Plan has been developed. The action for Education will be covered by the following workstream within the Improvement Plan: "Agree a strategy to minimise the number of databases currently being used across service areas to record, manage and report complaints" This will involve meeting with all services that do not use Capture or Confirm, research possible solutions, consult services affected by recommendations to agree future arrangements and to review training provided on alternative systems to ensure alignment with standardised complaints training. The timescale for this action is November 2017 – July 2018. Please note the procurement of a new CRM (customer relationship management) is currently on hold	Frances Smith, Advice & Complaints Officer (Education)
E.I.J.B and Health & Social Care															
HSC1503 ISS.3	HSC1503	Personalisation SDS - Option 3	E.I.J.B.	ISS.3	Medium	Scottish Government collects data on SDS users through annual and quarterly statistical surveys of local authorities. The answers to survey questions are based on data held in Swift. The accuracy and completeness of data input is therefore essential. There have been several changes in the assessment process and data captured in the past year such as: Eligibility for services (on which data is required by Scottish Government) has been recorded since January 2015; ' Initial steps to support ' assessments were in use for new contacts between August 2014 and May 2015 but are now used only for crisis care; A new personal support plan was introduced in October 2015. Where a new personal support plan is used, ' Option 4 ' is now recorded as a combination of Optio ns 1, 2 and 3. There was no cut-off date after which all assessments would be carried out using new templates. The full process of assessment and arranging care can be lengthy. This means that there are several different ways of recording assessments running concurrently, with different data captured in each one. It is therefore difficult to extract complete and accur ate data for management information and for reporting to Scottish Government.	Data on Swift is used to provide internal and external reporting which is likely to be incorrect. Data quality is affected where several processes to capture the same information are in use. There are over 500 practitioners completing assessments on Swift: multiple process cha nges over a short period of time increase the likelihood of errors in data input.	Further changes to the assessment process are expected over the next year as a result of the Transformation Programme and integration with the NHS. A change management process should be in place to minimise the number of process and recording changes through the year, implement clear cut-off dates, and to ensure changes are communicated to staff clearly. In the meantime, Research and Information should be aware of the likely inconsistencies in data recorded and ensure th at reports are thoroughly reviewed before issue.	A change management process will be established and overseen by the SDS Infrastructure Steering Group. The inconsistencies in data recording are as a result of numerous changes to processes and trying to reduce the recording burden of implementing these on frontline practitioners. The Research and Information Team are aware of all changes to recording practice and take these into account. A summary of all changes and the impact on data extraction has also been produced.	Overdue	30/06/16	31/12/17	31/12/17 30/06/17	January 2018 update Compliance and Data Quality Team Manager now in place, rest of the Team starts on 8/1/18. Draft project plan agreed by Assessment and Review Board (copy supplied to Internal Audit). Current Position at 21/11/17 - The establishment of the Compliance and Data Quality Team has been agreed; the manager will take up post on 4/12/17 and the rest of the Team on 8/1/18. A prioritised work plan will be drawn up for the Team and include the development and implementation of a change management process. Delivery date to be extended to 31/3/18.	Mary McIntosh, Business Services Manager
HSC1503 ISS.6	HSC1503	Personalisation SDS - Option 3	E.I.J.B.	ISS.6	Medium	Since October 2015, all personal care plans must be signed off by a senior. This is a measure introduced to improve the quality of personal support plans. We obtained a report of all personal support plans completed between October 2015 and January 2016. We identified 44 cases out of 811 (5.4%) where the system recorded that the assessor who prepared the personal support plan also signed it off. This was reflected in the variable quality of the 25 personal care plans we reviewed as part of our audit work.	The quality of personal support plans is a vital aspect of delivering SDS and ensuring that people receive the care that they choose and need. A lack of review may affect the quality of care received.	All personal care plans should be signed off by a senior, as required by HSC policy. 'Workarounds' on Swift should be deactivated to prevent this breach of segregation of duties recurring.	Ensure that there is a mechanism in place on SWIFT for the senior to record that they have signed off the support plan. At present any edits made by the senior at the time of the review will show that the senior has both prepared and reviewed the plan. Data quality reports will be set up to identify any support plan signed off by the assessor who produced the plan. Sector Managers and seniors to ensure appropriate oversight and sign off by senior for the personal care plans	Overdue -	30/06/16	31/12/17	31/12/17	January 2018 update Compliance and Data Quality Team Manager now in place, rest of the Team starts on 8/1/18. Draft project plan agreed by Assessment and Review Board (copy supplied to Karen Sutherland). Current Position at 21/11/17 - Overdue The establishment of the Compliance and Data Quality Team has been agreed; the manager will take up post on 4/12/17 and the rest of the Team on 8/1/18. A prioritised work plan will be drawn up for the Team and include the outstanding tasks in order to address this recommendation. Delivery date to be extended to 30/6/18.	Mary McIntosh, Business Services Manager
HSC1504 ISS.1	HSC1504	Care Sector Capacity	E.I.J.B.	ISS.1	Medium	A Joint Strategic Needs Assessment (JSNA) has been drafted by the Research and Information team in preparation for health and social care integration. This analyses demographics across the city and the attendant pressures on social care provision such as life expectancy, morbidity, deprivation, prevalence of unpaid carers and employment levels (affecting both need for social care and the availability of carers). While the JSNA gives a sophisticated analysis of the current demographic and economic profile of the city, it is a snapshot based on historic statistics. Forecast ing is limited to percentage growth according to the N ational R ecords of S cotland population projections by age group. The demographic trends and pressures on social care provision identified in the JSNA have not been translated into the likely effect they will have on demand for services in the medium- to long- term. This means that the Council does not have a robust forecasting model of demand for social care in the City to inform its strategic planning.	Lack of robust forecasting models impedes informed strategic planning of future service provision; New service structures and initiatives may be c reated in an attempt to address current problems which are not suitable for changing demands caused by foreseeable mov ements and trends in the population.	Forecasting The JSNA should be developed into a robust forecasting m odel for demand for social care in the City. This should involve an appropriate level of scrutiny of t he reliability of the data used and the assumptions used in the model. We recommend that an officer from Health and Social Care is involved in the development of the JSNA in order to assess the assumptions used. The forecasting model should include a sensitivity analysis to assess the likely impact of variation in forecast trends. This is particularly important given the recognised breadth and complexity of social and economic factors affecting demand for care. Gap Analysis Once demand for homecare services has been forecasted, the Service should identify the gap between current and required capacity. If the forecast is sufficiently nuanced, the Service will be able to identify the gap between available resources and need fo r different groups, types of care, and localities. Implementation To date, population projections have generally been used to illustrate the need for service reform. The forecasting model and gap analysis should be used to inform strategic planning of Health and Social Care services.	Forecasting The Edinburgh Health and Social Care Partnership ' s Strategic Plan includes as a priority the improvement of our understanding of the strengths and needs of the local population through the ongoing development of the JSNA . A working group has been established to carry out this work. Members include colleagues from Public Health in NHS Lothian as well as from the Health and Social Care Partnership . One of the work streams which ha ve been identified for the group is to further investigate methods of forecasting needs among specific groups , and our P ublic Health colleagues are supporting this work. Sensitivity analyses will be built into forecasting models. Gap Analysis Existi ng methods enable the gap to be identified between demand and supply in broad terms. Further work will be done in conjunction with Strategic Planning and Contracting colleagues to provide analyses in relation to specific service models. Implementation Improved understanding of the strengths and needs of local populations, and the gap between demand and supply, will be used to develop service models and will inform strategic planning.	Overdue -	30/04/17	31/12/17	31/12/17	November Update: - Ovedue - IA Validation in progress Further evidence supplied by Eleanor Cunningham for validation by Hugh Thomson January 2018 update - pending verification Discussed with Internal Audit who will speak to Strategy and Insight (Eleanor Cunningham) on the final points.	Wendy Dale, Strategic Commissioning Manager
HSC1601 ISS.6	HSC1601	Care Home Debt Management	E.I.J.B.	ISS.6	Medium	Section 22(2) of the National Assistance Act 1948 states that "the payment (which a person is liable to make) for any such accommodation shall be in accordance with a standard rate fixed for that accommodation by the council managing the premises in which it is provided (and that standard rate shall be represent the full cost to the authority of providing the accommodation)." Historically the Council have not charged the full cost of accommodation provision and provided the accommodation at a discount to the full unit cost. The Chief Officer of the Edinburgh Health and Social Care Partnership is responsible for reviewing charges on an annual basis. Unit costs are updated regularly by Finance and are available to Health and Social Care senior management to inform decisions on charges. Rates charged to residents for Care Homes are currently based on a historic costs exercise thought to have been completed in approximately 2005, then updated by "inflationary" increases in subsequent years. These uplifts were not linked to the actual cost increases in delivering accommodation and in 2015/16 a cohort of 9 residents receiving specialist dementia care at the North Merchiston Care Home appear to have been charged £9.80 per week in excess of the Home's unit cost of care provision for all or part of the year (total over-charge: £3,059), an apparent breach of the National Assistance Act 1948. This situation did not recur in 2016/17 due to the contract changes with the company running the care home on behalf of the Council. The unit cost of care increased by 3.9% in 2016/17 while the rate charged to residents remained constant, resulting in the unit cost of care being greater than the unit cost for patients in this category at the North Merchiston Care Home.	The Council appears to have charged this cohort of residents a sum in excess of what is permitted under the National Assistance Act 1948. The rates charged to residents in all Council provided accommodation needs to be reviewed for 2017/18 to ensure that they better reflect the actual cost of the care provided and prevent a similar recurrence.	The incident of apparent overcharging requires to be investigated and if substantiated, refunds provided to the individual residents affected.	The Team Manager – Social Care Finance – Transactions, will identify the clients who have been overcharged for 2015/16 by the Billing Team and make the appropriate refunds.	Closed and Verified				January 2018 update a briefing paper has been produced for the Interim Chief Officer setting out recommendations to be adopted regarding the setting of full cost charges for Council managed care homes on an annual basis. A copy of the briefing note will be sent to Internal Audit by separate email. Clarification has now been received that Committee approval is required a report will therefore be produced for Corporate Policy and Strategy Committee on 27 February 2018. The due date therefore needs to be revised to 28/2/2018. November update: briefing paper for SMT drafted to be finalised following a meeting of key players on 20/11/17. Evidence of meeting and draft paper submitted to IA.	Elizabeth Davern, Team Manager: Social Care Finance - Transactions
								The rates charged to residents in all Council provided accommodation needs to be reviewed for 2017/18 to ensure that they better reflect the actual cost of the care provided and prevent a similar recurrence.	The rates charged to residents in all Council provided accommodation will be reviewed for 2017/18 to ensure that they better reflect the actual cost. Finance will update unit costs to inform this review.	Overdue	31/03/17	31/12/17	30/06/17 31/12/17	January 2018 update a briefing paper has been produced for the Interim Chief Officer setting out recommendations to be adopted regarding the setting of full cost charges for Council managed care homes on an annual basis. A copy of the briefing note will be sent to Internal Audit by separate email. Clarification has now been received that Committee approval is required a report will therefore be produced for Corporate Policy and Strategy Committee on 27 February 2018. The due date therefore needs to be revised to 28/2/2018. November update: briefing paper for SMT drafted to be finalised following a meeting of key players on 20/11/17. Evidence of meeting and draft paper submitted to IA.	Katie McWilliam, Strategic Planning and Quality Manager for Older People
HSC1603 ISS.4	HSC1603	Management Information [EIJB]	E.I.J.B.	ISS.4	Medium	There is one member of the NHS Data Set Team responsible for pulling together and circulating delayed discharge reports to locality managers each week. We selected a sample of 5 weeks and confirmed that the report had been generated and circulated. We identified: One week where no delayed discharge report was circulated as the officer responsible was on annual leave; One week where additional information was missing as the officer responsible did not have time to complete it.	Locality managers do not have sight of delays if the staff member responsible for preparing management information is absent. There is a risk that this means resources cannot be targeted effectively, and the number of delays increases. There is a reliance on existing NHS and Council professional support arrangements which may not meet the needs of the EIJB.	Delayed Discharge At least one other member of the NHS or Council Data Set Teams should be trained in preparing delayed discharge reports to provide cover in the event of staff absence. Lessons Learned In developing the Performance Management Framework, the Edinburgh Health and Social Care Partnership should identify re sources required to collect and analyse performance data and maintain a consistent quality of reporting to locality managers, the Executive Board, and the EIJB.	The resource requirements to meet the performance management requirements of the IJB will be identified as part of the development and implementation of the new operating structure in Health and Social Care.	Overdue	31/03/17	31/12/17	31/07/17 31/12/17	October update: Resourcing issues in respect of performance management to be addressed as part of Phase 3 of the Health and Social Care transformation. Owner for this action to be changed to Michelle Miller	Michelle Miller, Interim Chief Officer, EH&SCP
HSC1604 ISS.2	HSC1604	IJB Data Integration & Sharing	E.I.J.B.	ISS.2	High	During interviews conducted with NHS and CEC, it was noted that two processes (specifically access management and communication protocols for data sharing) do not fully support the objectives of the IJB. Responsibilities for ensuring that access rights to NHS and CEC systems remains appropriate have not been established. Currently, managers within NHS should notify CEC and vice versa of staff joiners, leavers or movers. This allows access rights to be updated in line with revised operational requirements. However, there is no formal documented process or guidance that sets out the requirement to notify the two bodies of staff changes , and interviewees reported that access control is inconsistently applied (for example not all managers notify their ' non-home ' organisation ' of staff changes). Currently, communication protocols for data sharing are in place. However, we observed that these protocols were not fully established and not sufficiently mature enough on data protection to properly support the objectives of IJB.	There is a risk of managers not being aware of their responsibilities to notify their 'non-home' organisation of staff changes. This could lead to access rights not being updated for leavers or movers and result in confidentiality of sensitive citizen data being put at risk, leading to regulatory fines or censure. Immature data sharing protocols increase the risk of data being inappropriately handled or misused, putting the confidentiality of sensitive citizen data at risk, leading to regulatory fines or censure.	IJB should ensure the communication protocols for data sharing are fully established and mature on data protection.	A pan Lothian General Data Sharing Protocol that facilitates trust among all parties (NHS Lothian, Edinburgh, East, West and Mid Lothian Councils and IJBs) is now in place and the Memorandum of Understanding (MOU) defining the joint data controller responsibilities between the City of Edinburgh Council, NHS Lothian and the EIJB is in the final draft. It is envisaged that the MOU will be signed off by all parties by the end of June 2017. Once sign off has been achieved details will be shared with staff through the regular staff newsletter.	Overdue	31/07/17	31/01/18	31/10/17	December update: The Pan Lothian Agreement (final draft) has been circulated to respective Lothian Council legal teams for comment and CEO sign-off. IGU comment: CEC Legal Services have agreed document; other legal teams are holding up the process. Meeting has been arranged for mid-January to hopefully get agreement from all signatories and organisations involved. Suggested revised date: Jan 2018.	Kevin Wilbraham, Information Governance Manager, Corporate Governance.
								The processes for notifying system owners of staff changes should be well defined and communicated to stakeholders. Controls should be implemented to ensure access to CEC and NHS systems remain appropriate. This should include processes to ensure that changes are applied in a timely manner and access rights are regularly recertified. This would provide assurance to system owners over the operating eff e ctiveness of these controls.	The existing processes within the Council and NHS Lothian for notifying system owners of staff changes will be communicated to all managers of integrated teams. Establishing an integrated system setting out the systems access requirements for all posts and the mechanism for gaining access for new staff and notifying system owners of leavers and changes in role will be a priority for the nominated officer to be identified in respect of ICT and Information Governance.	Overdue	30/09/17	31/03/18		November update: an individual has now been appointed to the post. funded by Resources and will begin to develop a work plan. A hand over will be arranged with the existing action owner. January 2018 update - Handover meetings have been arranged for the week commencing 8/1/2018	Wendy Dale, Strategic Commissioning Manager

Unique No	Project Code	Project Name	Group	Issue Cod	Rating	Finding	Business Implication	Recommendation	Agreed Management Action	Status	Due Date	Revised Date	Revisions	Status Update	Owner
HSC1604 ISS.3	HSC1604	IJB Data Integration & Sharing	E.I.J.B.	ISS.3	Medium	During our audit procedures, we observed there are compatibility and connectivity issues when using CEC hardware at NHS locations or to access NHS owned systems and vice versa. CEC staff have experienced difficulties in connecting through Wi-Fi at NHS sites (and vice versa) in order to access their emails, and some systems cannot be accessed using specific hardware such as mobile devices (i.e. tablets, mobile phones).	There is a risk of the operational efficiency and effectiveness being impacted by an inability to access system in a timely manner.	The IJB should ask for a review of connectivity and hardware compatibility to be conducted in NHS and CEC sites, to ensure all staff can be fully operational wherever they are located.	The ICT and Information Governance Steering Group will request a review of connectivity and hardware compatibility to be conducted across all sites housing integrated teams and consider any recommendations arising from that review.	Overdue	30/06/17	31/12/17		January 2018 update - the ICT and Information Governance Steering Group tasked specific individuals to produce the Survey Monkey questions for agreement at the next meeting of the Group on 22/1/2018. Revised implementation date 31/3/2018. November update : following discussion with ICT colleagues in CEC and NHSL it will be recommended to the ICT and Information Steering Group on 21/11/17 that all staff in integrated teams where access to both CEC and NHSL systems are required are asked to take part in a survey (via Survey Monkey) to identify any issues relating to access to systems.	Wendy Dale, Strategic Commissioning Manager
HSC1503 ISS.1	HSC1503	Personalisation SDS - Option 3	H&SC	ISS.1	High	The Social Care (Self-directed Support) (Scotland) Act 2013 states that the authority must "inform the supported person of the amount that is the relevant amount for each of the options for self-directed support from which the authority is giving the person the opportunity to choose, and the period to which the amount relates." The "relevant amount" is defined as "the amount that the local authority considers is a reasonable estimate of the cost of securing the provision of support for the supported person". At present, the supported person is not informed of their assessed budget when they are asked to choose their option. They are only told of the resources available to them when they receive their personal support plan after they have selected their option.	There is a risk of non-compliance with The Social Care (Self-directed Support) (Scotland) Act 2013. The supported person may not have sufficient financial information to make an informed decision on the feasibility and affordability of arranging their own care under Option 1.	Management should seek clarification from Scottish Government on how the legislation should be applied where the supported person is allocated the same budget whichever option is chosen. Management must then ensure that the SDS assessment process is compliant with Scottish Government's instructions. This may mean informing the supported person of their personal budget at an earlier stage of the assessment process.	Scottish Government have been approached on this issue through the Social Work Scotland SDS Sub-group and have indicated that they are prepared to consider issuing further guidance and in particular revisit the issue of whether local authorities need to notify individuals of the indicative budget for each of the four options or just provide a single indicative budget which is what most authorities seem to be doing in practice. These discussions will take place through the Social Work Scotland SDS Sub-group and Senior management will ensure that Edinburgh is involved in these discussions. The current processes and practice in relation to providing individuals with an indicative budget will be reviewed and updated and clear guidance issued to staff taking account of any change in guidance from the Scottish Government. In either case, an indicative budget will be given to individuals before they are asked to select their preferred option.	Overdue	31/10/16	31/12/17	31/12/17 30/06/17	January 2018 update - progress in delivering this action has been slower than anticipated. A revised completion date on 31/3/18 is requested. Current Position at 21/11/17 - Overdue: The working group is due to meet again to update on progress and agree next steps on 29/11/17.	Wendy Dale, Strategic Commissioning Manager
HSC1503 ISS.2	HSC1503	Personalisation SDS - Option 3	H&SC	ISS.2	High	The Social Care (Self-directed Support) (Scotland) Act 2013 states that the authority must give the person "in any case where the authority considers it appropriate to do so, information about persons who provide independent advocacy services (within the meaning of section 259(1) of the Mental Health (Care and Treatment) (Scotland) Act 2003 (asp 13))." When researching advocacy services for people affected by SDS the only place we were able to find information was on the Council's Edinburgh Choices website which is an online directory of local care and support services , which includes details of independent advocacy services. However, we were unable to find links to the Edinburgh Choices website in key communications to service users and the general public about SDS. The Council has produced detailed pamphlets and leaflets which explain SDS to service users and carers but advocacy services are not covered, and readers are not directed to the Edinburgh Choices website. Practitioners we spoke to could not direct us to advocacy services.	There is a risk of non-compliance with the Social Care (Self-directed Support) (Scotland) Act 2013	The service should ensure that information about advocacy services is available to service users. Possible options may include: Providing practitioners with information about available advocacy service and what they do; Directions to Edinburgh Choices in guidance materials for service users; or Names of advocacy services in pamphlets and leaflets for service users.	Existing leaflets and information materials to be reviewed to make reference to Edinburgh Choices Information to be produced for dissemination to practitioners regarding the duty to identify people who may benefit from advocacy and support them to access this services and the agencies that the Council has commissions to provide advocacy services.	Overdue	31/08/16	31/12/17	31/12/17 31/10/17 30/09/17	January 2018 update - changes have now been made to SWIFT to allow the recording of people who would benefit from independnet advocacy and monitoring of actions taken to support them to access this service. This facility went live on 3/1/2018. Guidance has been put on the Orb and an email sent to all staff by the Interim Chief Officer, drawing their attention to the guidance and the need for compliance. Leaflets have been made available for the general public. Evidence submitted to Karen Sutherland - pending verification Current Position at 21/11/17 - Overdue Discussions have been taking place about the set up of the questions on SWIFT (as detailed in October update below); a firm proposal has been put forward and a firm timescale requested for implementation. Supporting Evidence of proposed questions have been by IA via email.	Wendy Dale, Strategic Commissioning Manager
SW1601 ISS.4	SW1601	Social Work: Pre-Employment Verification	H&SC	ISS.4	Medium	There was insufficientevidence to support the PVG checks of three nominated candidates who were 'existing Council employees'. The original PVG certificate is destroyed at the initial point of employment. Therefore recruiting managers of nominated candidates, who are existing employees, may not be aware of the 'vetting information' included in the original PVG Check. This restricts managers' ability to make an informed decision to proceed with the employment. It should be noted that Scheme Record Updates (which carry out a check betwe en the original PVG Certificated issued; to the date of the requested update) do not include details of any 'vetting information' held within the original certificate. The current "Recruitment and Selection Guidance for Managers Pre-Employment Checks fo r Nominated Candidates" states that "no further check is required if the individual is a PVG Scheme member in the Council for the same type of 'regulated work'. There is potential for staff to be recruited to a role which is not appropriate given their previous convictions. For example; a person with fraud convictions may properly be recruited to a care home if they are not handling cash but a future appointment to the homecare service; with access to vulnerable people's funds may be approved without due consideration of the risk.In October 2016 a carer in East Lothian was convicted of Fraud amounting to £46,000 from two clients.	Recruiting managers may have insufficient evidence of PVG 'vetting information' to allow them to make an informed decision over whether to proceed with employment. This may lead to recruitment of staff not appropriate to the role.	The "Recruitment and Selection Guidance for Managers Pre-Employment Checks for Nominated Candidates" should be updated to reflect the above change in procedure.	Employees should currently retain vetting information received as a result of a PVG disclosure check for regulated work. If an existing employee working in regulated work is the nominated candidate for another position within the Council which is also regulated work then that candidate should evidence the vetting information for the original PVG check. It should be noted that Disclosure Scotland have confirmed that Scheme Record updates now contain original vetting information. Employees who fail to evidence the original vetting information will result in the Council requiring to pay for a Scheme Record update. The cost of this update is £18, this will be an additional cost to the Council. The vetting information will continue to be destroyed by the People Support Recruitment Team as it is not deemed efficient to retain huge amounts of vetting information on a 'just in case basis'. The required documentation will be sought on a 'need' basis In the first instance the responsibility to provide information will be the employees. The requirement to evidence vetting information when recruiting staff internally will be included in the guidance at its next review.	Closed - Verified					Grant Craig, People Support Manager
								All nominated candidates should be requested to bring their copy of the PVG certificate to the pre-employment checks meeting; in order to allow mangers to make an informed decision as to whether to proceed with the recruitment process or to rescind the offer.	Locality Managers to obtain confirmation from their recruiting managers that nominated candidates are being requested to bring their PVG certificate to the pre-employment checks meeting. This requirement has been effectively communicated to all relevant managers / staff and a mechanism will be introduced to ensure that the requirement is being adhered too. This procedure will be embedded within the HSC and Safer & Stronger Communities protocol.	Overdue	31/03/17	30/11/17	30/11/2017	Current Position at 26/10/17 - Overdue IA met with Executive Business Support Manager 25.10.17 and was advised that this work is still on-going. Action has a revised implementation date of 30.11.17.	Cathy Wilson, Executive Business Support Manager
SW1601 ISS.5	SW1601	Social Work: Pre-Employment Verification	H&SC	ISS.5	Medium	Testing identified that working practices between recruiting managers, HSC Recruitment, and HR Recruitment are not fully documented and this has led to inconsistencies including: - bypassing the HSC Recruitment Co-ordination Team; - inadequate recording of Criminal Convictions form (CCF) and PVG information; - inappropriate record management; and - no clear formal procedure has been issued to Recruiting Managers to advice them of the requirement to formally document the decision to proceed with or recind the offer of employment; following receipt of 'vetting information' in respected of the nominated candidate.	Key information may not be retained. HSC Recruitment Staff and Recruiting Managers may not be aware of what is expected of them. Risk of non-compliance with Disclosure Scotland's 'Code of Practice'.	All relevant policies and procedures should be updated with the requirement to formally record the 'Recruiting Managers' decision on the "PVG / Disclosure Risk Assessment form" and "Record of Meeting on PVG / Disclosure Information" form in order to show clear evidence of the decision made. Once complete these procedures should be formally communicated to all relevant staff / Recruiting Managers. This should include the safe storage and retention periods of both forms.	The forms "PVG / Disclosure Risk Assessment form" and "Record of Meeting on PVG / Disclosure Information" should be forwarded to the Council Recruitment Team checked then retained as part of the employees personal file. This will evidence the decision of the recruiting manager to offer or rescind employment. A process review will be carried out and implemented by 31/12/2016 As part of the process review between the HSC Team and HR Recruitment the HSC Team have made a commitment to communicate to all relevant staff and recruiting managers.	Closed - Verified					Grant Craig, People Support Manager
								Procedures should be produced by the HSC Recruitment Co-ordination Team in conjunction with HR Recruitment Team and senior HSC Management to ensure the recruitment process is safe, consistent and compliant with appropriate legislation and CEC policies. This should include the requirement to complete the 'PVG/Disclosure Risk Assessment Form' and ' Record Of Meeting on PVG/Disclosure Form'	HSC Recruitment Co-ordination Team will work with HR Recruitment Team to develop safe and consistent procedure including the requirement to update both of the PVG / Disclosure Forms noted. Procedures to be strengthened to ensure that we are up to date to reflect safe storage and retention procedures. HSC to formally communicate this to all relevant staff and recruiting managers, including the safe storage and retention periods of both forms. Confirmation of this to be sent to Locality Managers.	Overdue	31/03/17	30/11/17	30/11/17 31/5/17	Current Position at 26/10/17 - Overdue IA met with Executive Business Support Manager 25.10.17 and was advised that this work is still on-going. Action has a revised implementation date of 30.11.17. September Update: Further work required to support closure. Revised Implementation date of 30/11/2017 agreed.	Cathy Wilson, Executive Business Support Manager
SW1601 ISS.7	SW1601	Social Work: Pre-Employment Verification	H&SC	ISS.7	Medium	The HSC Recruitment Co-ordination Team carry out 'Bulk Interviews' on a monthly basis for Care Home and Homecare posts where there are a number of different posts required at different locations around the city. This is due to a high volume of staff movement within these posts, which due to the nature of the posts are required to be filled timeously. However; it was established that the 'Location Manager' who the nominated candidate reports to on their first day of work is not necessarily the same manager who has interviewed the candidate or taken the candidate through the pre-employment checks to check their identification. It is acknowledged that this carries the risk that the person who turns up for work may not be the person that was interviewed.	Risk of identification fraud resulting in the Council employing a candidate who does not have the skills or experience required to fulfil the duties of the post. Risk of financial sanctions re Right to Work in UK Legislation	All nominated candidates be requested to bring photographic identification with them which should be checked and verified by the 'Location Manager' on the candidates first day of work. Failure to bring the appropriate identification should result in the candidate being refused to start work within the Council. This should be embedded within H&SC and Safer and Stronger Communities procedures and communicated to all relevant staff.	Locality Managers to seek confirmation from either recruiting managers and/or location managers to ensure that candidates are being requested to bring photographic ID on their first day of work. This process will also be embedded within the H&SC and Safer & Stronger Communities procedures and communicated to all relevant staff.	Overdue	31/03/17	30/11/17	30/11/17 31/5/17	Current position at 27/10/17 - Overdue Communication has gone to all Locality Managers to ensure compliance with mandatory first day ID verification for new employees on first day. Work is still ongoing to ensure that this is being adhered to. Verification process to be completed throughout November. September Update: Further work required to support closure. Revised Implementation date of 30/11/2017 agreed.	Cathy Wilson, Executive Business Support Manager
SW1601 ISS.8	SW1601	Social Work: Pre-Employment Verification	H&SC	ISS.8	Medium	The Council's Recruitment and Selection Policy states that "all individuals in the recruitment and selection of potential candidates on behalf of the Council" must receive Council training in equality issues, Safer Selection, and the application of the policy". The CECIL Competency Based Recruitment and Selection module under "Safer Selection and Pre-employment Checks; notes the Council's approach to safer selection includes 'Mandatory training for all recruiters' and that if a manager recruits on a regular basis they should repeat the modules every 2 years. Checks were carried out on twenty individual managers who were involved in the recruitment of the nine nominated candidates whose PVG check had returned 'vetting information'. Testing highlighted that seven of the twenty managers have either not received the mandatory training or the fact that they have completed the training, has not been recorded on the iTrent system. Details of the seven managers noted above were subsequently provided to the HSC Business Manager.	Managers are not complying with Council Policy. Managers may be undertaking the recruitment process without having the required skills to make an informed decision as to whether the candidate is suitable for the post.	All managers identified through audit testing as not complying should be contacted to establish whether they have completed the mandatory training. The iTrent system should be updated with the date completed.	The HSC Business Manager will resolve this issue with the individual Locality Managers and ensure iTrent is updated on satisfactory completion.	Overdue	31/05/17	30/11/17	30/11/2017	Current Position at 26/10/17 - Overdue T he Interim Chief Officer has instructed and communicated to all HSC Partnership managers that the 'Recruitment and Selection' module on CeCil must be completed. Non-compliance will result in managers being unable to be part of the recruitment process. Control Following agreement at October SMT , there is now a new recruitment process for all HSC Partnership posts: - Managers must now submit a vacancy business case to the Chief Officer's generic mailbox (healthsocialcareintegration@edinburgh.gov.uk). - If the business case has been approved, managers must provide evidence that all members of the recruitment panel have successfully completed the Council recruitment and selection eLearning module before final approval will be given to advertise the post. - To verify this, a CeCil screenshot of the completion record for each panel member to an email addressed to healthsocialcareintegration@edinburgh.gov.uk. Once confirmed, only then will managers receive final approval to advertise a vacancy. This also applies to NHS managers, where these are managing Council employees. IA Note: Partial evidence has been received 25.10.17 and is in the process of being validated. Further evidence has been requested. September Update : Managers have been reminded that mandatory training must be completed before undertaking any recruitment activity and to ensure that the iTrent system needs to be updated with the date training was completed. Awaiting evidence from the Locality Managers. Revised implementation date of 30/11/17.	Cathy Wilson, Executive Business Support Manager

Unique No	Project Code	Project Name	Group	Issue Cod	Rating	Finding	Business Implication	Recommendation	Agreed Management Action	Status	Due Date	Revised Date	Revisions	Status Update	Owner
								A review of the iTrent information held for each recruiting manager within Health and Social Care should be undertaken to establish any manager who has not completed the Recruitment and Selection training within the last 2 years. Any manager who is identified as not having complied with this training requirement should be requested to complete the training as soon as possible and not recruit staff until they have undertaken the training. A mechanism for monitoring the mandatory requirement should be introduced. In the interim, Locality Managers and Safer and Stronger Communities Senior Managers should remind all recruiting managers that they are required to have completed the training before undertaking any further recruitment.	Locality Managers have been requested to remind all recruiting managers that they are required to have completed the training before undertaking any further recruitment and confirm that this has been completed. The H&SC Partnership has been going through an organisational re-design, with staff being appointed to posts within the new structure under Phase 1, 2 and 3. The organisational re-design of the team has inevitably meant changes to recruiting managers. It is envisaged that Phase 2 of the organisational re-design will be completed by January 2017. Under phase 2, new recruiting managers will be appointed. Once these appointments have been made, a review of their recruitment and selection training will be reviewed by the respective Locality Managers and the appropriate measures taken, to ensure full compliance.	Overdue	31/05/17	30/11/17	30/11/17	Current Position at 22/10/17 - Overdue See above update. September Update: Interim Chief Officer – Edinburgh Health and Social Care Partnership issued email to managers which highlights the required actions to be taken in order to implement the recommendation.	Cathy Wilson, Executive Business Support Manager
Place															
PL1601 ISS.2	PL1601	Recycling Targets	Place	ISS.2	Medium	Contractors submit weighbridge tonnage data each month, which is used to calculate the recycling and landfill tonnage reported to the Transport and Environment Committee, and to prepare the annual SEPA submission. The current system for logging weighbridge tonnage submissions is manual as contractors provide their submissions in varying formats, some of which require further calculations to be made by Waste Services to establish the required figures. The data is entered manually into three separate databases, twice by the admin assistant and once by the Waste Collection Route Manager. The same data is entered into each database, with no significant differences in functionality between them.	Manual input could lead to errors in raw data used to calculate key performance measures; and Inefficient use of resources due to duplication of manual data input.	Automated data submission Contractors should be required to submit monthly weighbridge tonnage data in a prescribed format to support batch uploads of data to the tonnage database and reduce the need for manual data entry. Many contractors now have weighbridges which can produce tonnage data electronically and in real time. Management should investigate whether it is feasible to obtain this data directly. In the short term, a single database should be used for analysis and reporting. This will mean data only needs to be entered once.	There will be a review of the current process with the aim of implementing the recommendation of reducing the number of times data is inputted. This action will be taken forward on completion of the transformation process and once team structures are in place.	Overdue	31/10/16	31/03/18	30/09/17	Current Position at 25/10/17 - Overdue October update: Inputting of tonnage data is being tied into the business process automation project to seek automatic uploading of data on a more regular basis. September update : EY are now working with the Service area to determine how the inputting of data can be streamlined. This is part of their Waste Service Contract management project.	Lesley Sugden, Waste Strategy Manager
PL1601 ISS.4	PL1601	Recycling Targets	Place	ISS.4	Medium	There are a number of Council service areas and divisions effected by the waste management strategy but are unaware of key issues, regulation changes and decisions. This appears to have been as a result of key stakeholders not having been appropriately identified and engaged in all areas of the process. The key stakeholders for the Council's overall waste management strategy are wide ranging, affecting related strategies and span both across the Council and externally.	Key stakeholders not appropriately engaged leading to inefficiencies Lack of joined up working within the Council Regulation changes not appropriately communicated resulting in breaches Related strategies suffer from a lack of co-ordination.	A key stakeholder identification exercise should be performed to ensure all required individuals are included in the process. Key groups identified could include: Waste Services, Sustainability Team, Property Services and other external groups. In alignment with the creation of an internal waste management policy, stakeholders could be engaged through an overarching steering group with representation from each key group. This group would help ensure that relevant information is appropriately disseminated and that all stakeholders needs are considered. It would also enable stakeholders to monitor and challenge performance against the overall waste management strategy.	As outlined within the response to Action 2, it is our intention to refresh the existing strategy and to consult with both internal and external stakeholders to help shape the final strategy. A series of commitments/actions will be a key output from the strategy and progress against individual actions/commitments will form a key part of reporting progress to stakeholders.	Overdue	31/03/17	31/03/18	30/09/2017	Current Position at 25/10/17 - Overdue An internal working draft will be circulated to management within the service by the end of this year (2017) with a view to sign off and approval by elected members by spring 2018. Thereafter we will carry out an approximately annual "light touch" review, with a more in depth review every 3-5 years, albeit this will be flexible in the event that we need to account for policy changes (e.g. resulting from a change of government). August Update : Information has been provided to Internal Audit regarding the process of strategy review, this is unlikely to be ready for Committee before the revised September implementation date and a new date is to be provided. July Update: Work is continuing on the new Waste and Recycling strategy, this is not due to be presented to the Transport and Environment Committee until October at the earliest. A commitment to the date that the Waste and Recycling strategy is to be presented to committee, the committee papers and the outcome of the committee are to be provided to audit. The action can be reduced to low on the satisfactory receipt of this information. The strategy will then need to be communicated to stakeholders before the action can be closed Draft new Waste and Recycling strategy is not yet finalised. Communication of this strategy will form part of a delivery plan for implementation.	Angus Murdoch, Strategy Officer
PL1601 ISS.5	PL1601	Recycling Targets	Place	ISS.5	Medium	Although there is considerable recycling internally within the council, there is currently no internal waste management policy. The Waste and Recycling Strategy 2010 - 2025 focuses on external, public waste but there is no supporting policy which specifically states how the Council itself as major local employer, plans on reducing waste arising from its own operations (e.g. schools, council offices) and increasing recycling participation. The Council's strategic aim is to reduce overall waste being sent to landfill within the local authority by increasing recycling participation. Budgets have been set aside for schemes to increase public awareness and participation in an effort to achieve this strategic aim; however, a group of contributors to Edinburgh's overall waste (i.e. Council employees themselves) is being overlooked by not allocating sufficient resource to internal waste management schemes. In addition, there is a lack of data on how much waste is sent to landfill as a result of Council operations; therefore it cannot be accurately quantified how much the internally generated waste is costing the Council in landfill charges.	Lack of clarity over Council's own waste contribution that results in financial and environmental impact: - Risk of reputational damage due to lack of own strategy; and - Opportunity cost lost on not providing an overarching framework to support the Council's own recycling participation.	The Council should allocate sufficient resources to create and action an internal waste management or resource efficiency policy that embraces reducing, reusing and recycling. Many staff members will live in the City of Edinburgh Council, therefore generating waste at work and at home. Providing this awareness at work could realise additional benefits for the Council as a potential reduction for both internally generated waste and household generated waste within the local authority. With the continued future increases in landfill tax, it is advisable that the Council leads by example and gives consideration to monitoring its own waste data to ensure effective targeting of effort.	Our proposed management action is to approach the Sustainable Development Unit and Facilities Management to establish a working group to review any existing internal waste policy, the purpose being to incorporating this within, and consult on, a refreshed Waste Strategy Document (Ref Action 2). The inclusion of the Sustainable Development Unit is critical in moving forward this action as they hold responsibility for development of the Council's internal waste policy and recording data on internal waste arisings. Waste & Fleet Services will commit to taking the lead in establishment of the internal working group. Opportunities to improve the way in which the Council gathers and records data on its own waste arisings will be a key outcome of the working group. The Council's Trade Waste Service (part of the Waste & Fleet structure) has already met with Facilities Management to identify opportunities to increase the range of recycling opportunities across the Council estate. New services such as food waste recycling will be available in major Council offices such as Waverley Court and is already available across a number of schools.	Overdue	30/09/16	31/12/17	30/04/17	Current Position at 25/10/2017 - Overdue No change from September Update. September Update: - Information provided to IA regarding the Changeworks SLA requirement to "Develop awareness among staff of the correct procedures and contact points to improve and resolve waste management problems within schools." A revised date of the 31/12/17 to develop the internal waste management policy. Working group now established between Facilities Management and Waste and Cleansing Services. This group meets regularly. July Update : -meeting held 10/7/17 to discuss Recycling bins have been provided to corporate buildings. A Factsheet or Cecil leaning module could be provided and tracked to evidence that users know how to use the recycling bins. If it can be evidenced that 70% of buildings have recycling bins the action rating can potentially be reduced to low risk.	Karen Reeves, Technical Team Leader
PL1603 ISS.3	PL1603	Mortuary Services	Place	ISS.3	Medium	The current Bereavement Services risk register, dated July 2015, outlines a range of controls in place as part of the mitigation strategy to manage the body holding capacity risk. The risk was escalated to the Place risk register, and as at April 2016 was in the top 10 Departmental residual risks, categorised as one of the most controlled risks due to the controls noted as being in place. The mitigation strategy includes the following: Mortuary plan in place; and Staff training and participation in a Service quality action group. The Scientific, Bereavement and Registration Services Senior Manager noted that there are no formal mortuary plans in place covering arrangements to minimise storage times, and no such training is currently being delivered. In addition, no Service KPIs or performance / service standards are currently produced. Quality documents for the Mortuary covering forms, plans and procedures are being drafted . The mitigation strategy also notes that Funeral Directors are contacted to increase collection rates, but this does not recognise that Mortuary staff are limited i n the actions that they can take in this respect until the Funeral Director makes contact , as their service is assigned by the next of kin. The risk register does not reflect other issues outwith Council control, for example, The daily cap on the number of post mortems undertaken means there is always a backlog ; and The uncertainty around service delivery post Crown Office contract expiry in 2020.	The lack of an accurate risk register and formal mortuary plan increases the risk that intended controls are not implemented in practice leading to inefficient use of resources and demand not being managed effectively.	The Bereavement Services risk register requires to be updated to reflect current controls in place. Issues currently outwith Council control should be added to facilitate wider discussion on ways to better manage these. A mortuary plan should be prepared covering the management of body holding capacity. The plan should include: An outline of current arrangements; An outline of all key stakeholders; Service standards expected of Mortuary staff to ensure an efficient, prompt and respectful service; Standards expected of key stakeholders, for example, processes to be followed by Police when storing a body out of hours, prompt notification from Funeral Directors when assigned, and prompt collection by Funeral Directors when notified that a body has been released for uplift; and A programme of regular staff training sessions to ensure that Mortuary staff are aware of their responsibilities to minimise storage. The plan should incorporate contingency arrangements for business as usual during periods of extended closure, for example, at Easter and Christmas.	Work with Environment Service and Place Directorate to update the risk register post transformation review. A mortuary plan is under development and should be completed before the end of December 2016. Implementation by 31/01/2017 is anticipated.	Overdue	31/03/17	31/10/17		Current Position at 25/10/17 - Overdue No change from September update. September Update The Risk Register is being updated in collaboration with the Council's Risk team this is anticipated to be complete by the end of September. Demand forecasts for future years have been made. Demand forecast(s) for seasonal variation within a year are to be completed by the end of October 2017. August Update: - Information was provided on the 22/8/17 and is currently being reviewed by Internal Audit. July Update: - meeting held 10/7 to discuss 1) A risk register is to be created. 2) Operational plan to be produced to track and forecast demand. This could be high risk as the Council is providing services to other local authorities and may not be able to meet the additional demand. 3) A contingency plan is to be produced to ease pressure on the council mortuary at times of high demand and it should be evidenced that this has been tested. 4) Potential for rating to be reduced to low if the risk register and operational plan can be evidenced. 5) Action can be closed on the receipt of evidence that that the risk register, operational plan and contingency plan have been implemented and tested.	Robbie Beattie, Scientific, Bereavement & Registration Services Senior Manager
PL1603 ISS.5	PL1603	Mortuary Services	Place	ISS.5	Medium	The City Mortuary is a key stakeholder in the following plans: City of Edinburgh Council (CEC) Emergency Plan; interim update Jul 2014; CEC Corporate Business Continuity Plan; Oct 2013; CEC Corporate Pandemic Influenza Business Continuity Plan; Jul 2009 (re-issue due Apr 2017); Emergency Mortuary Management Arrangements Module of CEC Emergency Plan; draft Apr 2015; Services for Communities Contingency Plan (Bereavement Services); draft Jul 2015; and Services for Communities Business Continuity Plans for Bereavement Services; Dec 2013. There are inconsistencies and gaps between the plans including; The Bereavement Services contingency plan includes no detailed action plan covering body storage arrangements in the event of an extensive emergency, such as a pandemic, where National / reciprocal body storage resources will not be available. This area is currently under review nationally via the Scottish Government Silver Swan exercise; and The Emergency Mortuary Management Arrangements module, covering arrangements in response to intensive emergencies outlines the locations and number of body storage units within the Council and externally. This does not reflect: The basic storage available at the Mortuary; The current location of the Council emergency units; Average spare capacity for NHS Lothian, as determined at Easter 2016; and Average spare capacity of the Queen Elizabeth Hospital in Glasgow (the 300 quoted includes day to day usage and gives no indication of any potential capacity issues here). Significant staff and organisational changes within Place and Bereavement Services over the past year have impacted on the preparation of, and key roles and responsibilities outlined within Place contingency documents. The Scientific, Bereavement and Registration Services Senior Manager recognises that all local plans need revised, with separate plans set up for Mortuary and Crematorium services.	If contingency plans in place are not comprehensive, with accurate and up to date capacity information, the required actions to be undertaken by Council staff may be unclear, increasing the risk of inappropriate treatment of fatalities.	All Mortuary Service contingency plans require to be reviewed and redrafted to ensure that they are up to date, comprehensive and reflect current government guidance. Capacity and location information within contingency documents should be corrected to reflect current arrangements. Following review and update of plans in place: Training should be rolled out to staff; and The Corporate Resilience Unit should be provided with updated extracts.	Work with Corporate Resilience Unit to update contingency plans drafted before transformation review . Work with NHS Lothian to support them taking on the role of host mortuary for mass fatalities, thus easing pressure on Council mortuary.	Overdue	31/03/17	31/12/17	30/4/17	Current Position at 25/10/2017 - Overdue Work continuing on the update of contingency plans. Scottish Government continue to progress a national mortuary review to reassess the most suitable organisations to assume statutory responsibility. Arrangements with NHS Lothian for contingency provision are well progressed with a licence agreement drawn up. A trial of the use of the NHS facility was undertaken recently to allow for essential maintenance of the CEC mortuary. September Update: A stakeholder plan has been evidenced. A contingency plan for mass fatalities events (either intensive or extensive) an agreement is in place that the RIE would be the control centre with the support of the council's staff. A memorandum of understanding advising of this arrangement has been submitted to members of the EoS RRP group. The draft contingency plan at the time of the audit has been provided to the service area to deal with busy periods that are not designated as mass fatalities incidents, this is to be updated due to changes in the Council structure and is anticipated to be complete by December 2017.	Robbie Beattie, Scientific, Bereavement & Registration Services Senior Manager

Unique No	Project Code	Project Name	Group	Issue Cod	Rating	Finding	Business Implication	Recommendation	Agreed Management Action	Status	Due Date	Revised Date	Revisions	Status Update	Owner
SFC1403 ISS.2	SFC1403	Community Recycling Centres	Place	ISS.2	Low	The current CRC site policy appears very basic and inappropriate to adequately safeguard Council resources. Having such a basic policy exposes the CRCs to increased risk of commercial waste being passed off as household waste. The current policy may not be appropriate for modern CRC facilities and as a consequence, user guidance on the Council website is not sufficiently prescriptive or accurate to inform the CRC site user.	Loss of income to the Council Increased cost of disposal of commercial waste passed off as domestic waste Failure to meet residents expectation and reputational damage	CEC should consider a detailed and modern policy document to reflect the increased costs and environmental demands of providing this service. This should be considered at the same time as the chargeability of certain types of household items (i.e. reclassification of waste created from improvements, repairs and alterations to a household). Once the policy has been modernised and approved, an accompanying user guidance document and customer charter should be created and published. This should cover the following: Items accepted Permitted vehicles (including hired vehicles, trailers, vans) Household and commercial waste requirements When customers need to register with the Council to use the sites Charging policy and methods of payment Hazardous waste Charity waste Health and safety requirements General information (contact, opening times, etc.)	A policy and procedures document is to be drafted and consulted upon before being released.	Overdue	31/03/15	30/04/18	31/07/17	Current Position at 22/10/17 - Overdue No Change from September update. September Update: CRC Improvement Plan being developed. Focus will be on improving signage and user information as well as developing more robust internal procedures.	Bob Brown, Waste & Cleansing Operations (Waste) Manager
Resources, ICT Solutions and Investment & Pensions															
CF1402 ISS.1	CF1402	School Meals	Resourc	ISS.1	Low	For the school meals service delivered by SfC, the roles and responsibilities of key officers within SfC and C&F were not clearly defined in a formal document such as a service level agreement (SLA) or working protocol. Although processes have not been formalised, good cross departmental working was evidenced between the C&F Development Officer and SfC Catering Performance Officer. This collaboration was specifically noted within the menu planning process. Similarly Facilities Managers (FMs) and Kitchen Supervisors work closely with School Business Managers to resolve issues on site. It is understood that Corporate Facilities Management are producing SLAs for cleaning and janitorial services, however catering is not in scope at present. It is viewed differently as the end user of the service delivered is external, i.e., the pupils rather than Council staff.	In the absence of any documentation the service is reliant on the knowledge of key members of staff and staff changes may impact on the effectiveness of the service.	Consideration should be given to preparing an SLA to outline the respective responsibilities within key cross departmental processes in delivery of the school meals service.	As part of a wider Facilities Management Review for the clarity on roles and responsibilities of key offices within SfC who have responsibility for delivering the schools meals service it is proposed that an SLA between C&F and SfC be put in place to ensure a first class school meals service is delivered.	Overdue	30/04/15	31/12/17	30/09/17 31/12/17	Oct 17 Update from Gohar Khan: The Service Delivery Plan is with C&F for consultation and we are still awaiting feedback. It is, however, anticipated that the SDP will be signed off and in place by December 2017. Outwith the SDP, the catering service has a detailed strategic blueprint which outlines its aims, objectives and strategic goals going forward and it is anticipated that this blueprint will be shared and agreed with all relevant stakeholders. Sept Update from Gohar Khan: A Service Delivery Plan (SDP) that includes the catering service is currently out to consultation with key stakeholders and feedback is awaited. The SDP is designed to provide key stakeholders with an overview of the services that will be provided by the FM team to High Schools and includes clarity on staff roles and responsibilities. The overarching objective of the services is to provide the right resources at the right place at the right time, with the flexibility to respond to the requirements of each Directorate as and when required. It is envisaged that the SDP will be agreed by the key stakeholders by 31.12.17.	Christopher Ross, Catering Manager
MIS1601a ISS.2	MIS1601a	Non Housing Invoices	Resourc	ISS.2	Medium	A fixed-price quote is obtained from prospective contractors for repairs estimated to cost more than £1,000. Any variance between the quote and the invoice is challenged before the technical officer will approve payment. Estimates and quotes are not routinely requested for repairs likely to cost less than £1,000 (and we would not expect this). The technical officer is expected to be experienced enough to make a reasonably accurate assessment of the likely cost of a repair, and challenge or approve payment of the contractor's invoice accordingly. It is understood that a schedule of rates exists for the non-housing contract framework, but is not referred to. This means that: The authorising manager does not know the value of works that they are approving (see Section 2: variance between actual and estimate); The Council may not have access to commercially advantageous rates for common repairs; and Elevated charges may not be identified by the technical officer as they have no benchmark.	There is a risk that the Council is not achieving best value on non-housing repairs and maintenance.	We recommend that a schedule of rates is built into the next non-housing contract framework.	The non-Housing contractor framework will be re-tendered during 2017. The inclusion of detailed best-value and due-diligence options will be considered as part of the process. This may include schedule of rates, gain share, penalties etc or a combination.	Overdue	31/08/17	31/12/18		October Update : Agreement reached with Corporate Procurement that due to the Procurement Plan being revised, the new implementation date will now be December 2018. However, in the meantime, in order to mitigate the risk from Medium to Low, a proposal is being worked on and will be reported at the next cycle. September Update: The non - Housing contractor framework will be re - tendered due to the value and EU regulations. This is being led by Corporate Procurement with a revised timescale.	Murdo MacLeod, Maintenance Standards Officer
MIS1601a ISS.3	MIS1601a	Non Housing Invoices	Resourc	ISS.3	Medium	The system used to manage repairs and maintenance to operational buildings, AS400, is due to be replaced in the Autumn/Winter 2016. The system is over 40 years old and is limited in its capabilities and links to other Council systems. This means it is difficult to obtain information about repairs carried out. Only one officer is able to use AS400 reporting functions, and none we spoke to in Corporate Property knew how to access information about EBS non-housing recharges through the Frontier financial reporting system. This limits the management information available to Corporate Property about the volume and value of repairs. It also delayed our audit fieldwork and restricted the scope of our audit. For example, the AS400 (works ordering), Total (billing) and Oracle (finance) systems do not use the same reference numbers. A manual log is kept to record the invoice number for each works order raised on AS400. This was not consistently updated, so , despite the help of the non-housing administration team and Accounts Payable, we were able to trace invoices for only 4 of the 60 charges reviewed. We also identified occasions where details of works orders charged to Corporate Property had not been transferred into the Oracle data warehouse. This means we (and Corporate Property) were unable to validate the accuracy of the charge for those periods. The total charge only was recorded.	Lack of management information about the volume and value of non-housing repairs.	Management will not have ready access to accurate and reliable information about the volume and cost of repairs and maintenance until AS400 is replaced by CAFM in Autumn/Winter 2016. We note that the introduction of CAFM has been delayed, and every effort should be made to meet the new target implementation date.	It is anticipated that CAFM will be in operational use (services being implemented on a rolling programme thereafter) in early 2017 with a non-Housing R&M implementation process in place for FY 2017/18	Overdue	01/04/17	01/04/18		October Update: The use of CAFM to monitor and report on R&M work / expenditure is still expected to be operational in time for the start of the new financial year 2018/19. Work is progressing to review, cleanse and align the FM cost centres with the new hub models as being implemented by the FM Transformation programme. Engagement with key stakeholders with regards to implementing CAFM for R&M works management is due to commence shortly. September Update : The CAFM asset condition and helpdesk modules are now fully operational, however, the use of CAFM to monitor and report on R&M work / expenditure is now scheduled to be operational in time for the start of the new financial year 2018/19. This will include having the ability to produce MI reports on R&M activity at site level, which at this moment in time, only Frontier is able to produce this information	Peter Watton, Acting Head of Corporate Property
RES1603 ISS.5	RES1603	Leavers Process	Resourc	ISS.5	Medium	We selected a sample of 45 employees who left the Council in August 2016. Security passes held by 18 of those employees (40%) had not been returned or disabled.	Security passes could be used to fraudulently gain access to Council buildings putting sensitive data and mobile assets at risk.	Security passes should be collected from payroll and non-payroll leavers and returned to the Facilities Management Hub. We recommend that Facilities Management are also provided with a daily or weekly list of leavers, so security passes can be deactivated.	An expiry date will be set for all cards issued to temporary staff, agency staff and contractors at 6 months unless otherwise specified by the line manager.	Closed - Verified					Mark Stenhouse, Facilities Management Senior Manager
									All security passes which have not been used for 3 weeks will be deactivated on 1 April. Cardholders will need to contact Security to reactivate them.	Closed - Verified					Mark Stenhouse, Facilities Management Senior Manager
									All temporary passes will be deactivated on 1 April. Cardholders will need to contact Security to reactivate them.	Overdue	30/04/17	31/10/17	30/06/17	Current Position at 18/10/17 - Overdue FM security team are liaising with contractors responsible for the system to ascertain if non CEC staff cards can be marked for future auditing and monitoring purposes. This will include all agency staff and contractors. Further amendments to the Orb forms will restrict all non-CEC cards to 90 days without exception. The practice of surrendering cards to the FM security HUB could be promoted by a formal comms via the Chief Executive.	Mark Stenhouse, Facilities Management Senior Manager
									The Management Information team will provide Security with a list of leavers each week. Security will deactivate passes.	Closed - Verified					Edel McManus
RES1608 ISS.2	RES1608	Risk Management	Resourc	ISS.2	Medium	The successful embedding of risk management throughout an organisation is achieved when staff of all levels are: aware of their risk management responsibilities; understand their responsibilities; and are motivated to act in accordance with their organisation's risk management framework. The Risk Function and CRO have delivered risk training to the CLT, their respective Senior Management Teams (' SMTs ') and to GRBV Councillors. Feedback indicates that this training has been effective in securing buy-in and understanding at the senior manager level and above. However, risk training has not recently been provided to middle management levels, nor have senior managers within directorates been trained to provide risk management training to their teams. This represents a potential gap in the understanding and embedding of risk management below senior manager level . The Risk Function have designed CEC specific risk management training as well as an internal controls module which teaches staff how to manage risks. These modules are available to everyone through CEC's interactive learning platform (' CECIL'), however, there is no mandatory requirement for staff to complete this training . Within CECIL there is also a generic risk management training module , designed by the external system provider. This is not CEC specific and there is a risk that this may cause confusion amongst staff. From discussions with the Head of HR, we understand that all staff will be required to complete ' essential learning ' when on-boarding and on an annual basis going forward . Good practice is achieved when HR have an important role in facilitating risk training so that it is considered alongside other key training and communications. More importantly, good practice is when HR have an active role in fully embedding responsibilities and accountabilities for risk across an organisation. Therefore, to align with best practice, HR should play an active role in embedding risk, however there are currently no risk management modules within the essential learning suite. CEC's risk register template is available to all staff via the staff intranet. However, this document is not used consistently across all service areas. For example, the Place Directorate uses a different style of risk	The risk management embedding gap below senior management level presents the risk that CEC may be exposed to a degree of undue risk: at times of significant change, people can unintentionally revert to behaviours that are not in keeping with expectations. If the generic risk management training module within CECIL is completed by staff, there is a risk that staff's understanding is inconsistent with CEC's risk management approach. If risk register templates are not used consistently across all Directorates, key information may be missed or reported incorrectly when consolidated by the Risk Function for CLT and GRBV. This undermines the quality of information present to CLT and GRBV. It makes management of risk and risk reporting less efficient and potentially less effective.	The Risk Function, supported by the new full-time CRO, should invest time and resource to embed risk management below senior management level. It is important to reflect on what contributed to the success of ' buy-in ' and education of the senior team. Additionally, there needs to be pragmatic consideration given to the large numbers of staff across the council. We recommend a training and communications plan is drafted reflecting the above and approved by the appropriate committee. This should involve input from HR and other relevant non-risk functions. Consideration should be given as to whether training senior management, to equip them to provide risk management training to their teams would held drive understanding and accountability below senior management level. Human Resources should include risk management and internal controls training modules as part of CEC's essential learning. Individual's scores from the end of module assessments can be used to confirm staff's understanding of their responsibilities. The system provider's risk management module should be removed to avoid confusion. In keeping with policy, all service areas should use the CEC risk register template, with any other versions removed to avoid inaccurate information being reported to CLT and GRBV and improve the efficiency of the aggregation and reporting process.	As identified, we are in an 'embedding' phase with respect to the journey to develop risk management. Prior to transformation a risk steering group was in place whereby risk 'champions' from each directorate could drive messaging the need for training and maintain momentum. With the substantial organisational changes this arrangement was suspended and we are currently re-establishing such ownership within the Service Area Risk Management Groups as indicated within the response to finding 3.3.	Closed - Verified					Rebecca Tatar, Principal Risk Manager
									For clarity two risk modules exist on the Council's eLearning site. One is generic and the other specific to CEC. We agree with the finding that the generic risk management module is not helpful from the perspective of specific messaging. Management will work with HR to ensure that only the single tailored solution is accessible.	Closed - Verified					Rebecca Tatar, Principal Risk Manager
									HR is currently reviewing the requirements of induction and essential learning throughout the Council. The latest timing for go-live is likely to be prior to the commencement of FY18. The plan with HR will be confirmed shortly.	Closed - Verified					Rebecca Tatar, Principal Risk Manager
									The 'different' risk register template was adopted as a temporary measure in Place as part of a learning exercise to prompt focus on cause and effect in the articulation of risks. This version is now being superseded.	Closed - Verified					Rebecca Tatar, Principal Risk Manager

Unique No	Project Code	Project Name	Group	Issue Cod	Rating	Finding	Business Implication	Recommendation	Agreed Management Action	Status	Due Date	Revised Date	Revisions	Status Update	Owner
						register , and a s a result of the Transformation Project, some of the service areas which were previously part of Place have been moved to other Directorates , widening the inconsistent use of the template.			A training and communications plan involving input from HR and Communications teams was drafted within the last two years, however due to reorganisation of staff, teams and service delivery these plans had to be put on hold and will need to be reviewed once structures settle.	Overdue	30/09/17	31/01/18		October Update from CRO - Ongoing discussions between CRO and CIA to clarify and reword Agreed Management Actions and revised due dates. September Update: Embedding risk management throughout the organisation is one of my key objectives. The current draft Annual Audit Report from Scott Moncrieff notes that: "Overall, we were satisfied that risk management arrangements appear to be embedded across the organisation" The following points describe some of the mechanisms which help embed risk management across CEC: Through the Risk Management Groups/Committees/Steering Group. Through 1-2-1 conversations between the CRO and several HoS/Directors. Individuals in the Corporate Risk Team and others have attended external training sessions on different aspects of risk management. Risk management workshops take place across the services, often at team locations away from Waverley Court. 'Risk Matters' newsletters highlight particular risk topics within schools. Risk management is one of the subjects covered at the Leaders' Induction events. Following the office move in Sep/Oct 2017 I intend installing a risk noticeboard to publicise information. I have created quarterly 'risk themes' to publicise the work of several areas. An internal comms and training plan can be developed and rolled out within an appropriate timescale to address this action but the measures described are having a greater effect	Rebecca Tatar, Principal Risk Manager
RES1608 ISS.4	RES1608	Risk Management	Resourc	ISS.4	Low	CEC's risk management 'toolkit' represents the key documents and system available to staff via the orb (intranet) to support risk management. Key documents include risk management policy and procedures and the risk appetite statement. Upon review of these documents and following interviews with staff, a number of inconsistencies have been identified: The Covalent system was introduced to support and encourage proactive and consistent management of performance, governance and risk. It offers the functionality to electronically consolidate information and make it simple and efficient for user to update and analyse data. This system is not used consistently throughout Directorates and CEC will be withdrawing Covalent in early 2017. Therefore, a manual and inconsistent approach to risk management is likely to ensue across Directorates upon withdrawal. The risk management policy and procedure documents are dated February 2015 and March 2014 respectively and do not reflect CEC's current operating structure. These documents are also inconsistent with CEC' s risk appetite statement (dated February 2014) . For example, the categories of 'risk' considered in the risk appetite statement are not consistent with the categories of 'impact ' in the policy and procedure document . Indeed , CEC' s risk appetite statement explicitly refers to reputational and development / regeneration risks which are not included in the impact assessment.	Manual risk management processes are labour-intensive and require an increased reliance on interpretation and judgement if there is a need to consolidate information based on different assessment criteria of formats. When risk MI is collated on this basis, vital information may be missed and not escalated on a timely basis. Use of an enterprise risk management system should increase the efficiency of collating and reporting data, and increase capacity to focus on analysis of risk. Risk Management policies and procedures coupled with a consistent risk appetite statement form the foundations for a sound risk framework . If an organisation is going through strategic change, its risk environment is also continuously changing. Therefore, annual review and updating of this information is important to ensure staff are provided with guidance and direction to manage risks in accordance with CEC's expectations and requirements.	CEC should consider implementation of a replacement systemised risk management tool to drive efficiencies and consistency in risk management practices and provide the opportunity to generate risk MI without the need for manual intervention. The business case for an enterprise wide risk management system should be prepared and integrated with the wider IT change programme. In line with best practice, CEC risk documentation should be updated as soon as the new structure has been finalised, with updated versions communicated and circulated to staff.	CEC's Risk Management Policy is updated annually in December.	Closed - Verified				Rebecca Tatar, Principal Risk Manager
									The guidance set out in CEC's Risk Management Procedure is scheduled to be updated by January 2017 once the Council's new structure and associated risk escalation path has been clarified and confirmed. These will then be available to all staff on the CEC Intranet.	Closed - Verified					Rebecca Tatar, Principal Risk Manager
									The Risk Management team is currently reviewing options with regard to a 'GRC' (Governance Risk and Compliance) solution that is fit-for-purpose for the Council. The new CGI contract identifies the need to introduce such a solution by the Summer of 2017. As such a business case will be developed in line with this critical path. In the meantime, risk registers for SMT and CLT are updated quarterly on consistently formatted spreadsheets and stored on a shared drive for version control.	Overdue	30/09/17	31/03/18		October Update (CRO): Ongoing discussions between CRO and CIA to clarify and reword Agreed Management Actions and revised due dates September Update (CRO): As I understand it there was no requirement or provision for a GRC tool within the CGI contract. Risk registers and reports are currently produced using Microsoft Word, Excel and Visio. For the Jan 2018 GRBV report I intend to have updated the reporting format and have an appropriate risk register developed in Excel (which I have personally done before). There is no industry-standard for risk management software – the quality of input defines the quality of output. Given the difficulties in ICT procurement/development currently experienced at CEC and pressure on budgets I intend maintaining risk management documentation in the current software, while undertaking work to evaluate the business case of using a commercial application. The timescale for this is likely to be Q1 2018.	Rebecca Tatar, Principal Risk Manager
									Updating the Risk Appetite Statement is scheduled as part of a broader exercise on embedding improved understanding and consistency around risk appetite and tolerance levels once the new CRO is in place. It was always considered that the risk appetite would be further refined after two years once the risk management framework had been embedded and maturity of the organisation had developed with respect to risk management.	Overdue	30/09/17	31/01/18		October Update: Ongoing discussions between CRO and CIA to clarify and reword Agreed Management Actions and revised due dates September Update (CRO) Work has focused on maintaining quality output for new councillors and the new membership of the GRBV. The current risk appetite statement is fit for purpose, though this will be updated and included in the annual refresh of the risk management policy and procedure which is due around Jan 2018.	Rebecca Tatar, Principal Risk Manager
RES1704 ISS.4	RES1704	Starters	Resourc	ISS.4	High	Whilst responsibilities for completion of new employee 'on boarding' process and contract generation is segregated between different sections within the team, there are no established technology controls to prevent a single officer from completing the end to end on boarding process, including creation of iTrent and payroll employee accounts. Additionally, existing payroll exception reports will not identify variances in salaries between ' on boarding ' documentation and salary details recorded on iTrent. There is a reliance on manual independent checks performed by Team Leaders to confirm that only authorised new start salary details have been completely and accurately recorded on the payroll system. Customer Service Advisors review all files to ensure all required documents have been provided prior to making a formal offer of employment and 'on boarding ' can be concluded. No additional independent sample testing is performed between 'on boarding ' files and iTrent records to confirm that correct details have been entered either before or after the payroll run. Review of manual 'on boarding ' files for Council employees recruited between April 2016 and January 2017 demonstrated that the on-boarding process is not consistently and accurately performed. 100% of the 25 'on boarding' files sample failed due one or more of the following errors being identified; One file did not include a mandatory vacancy eform. Recruitment and 'on boarding ' had progressed with no evidence of formal confirmation of a vacancy from the authorised vacancy manager. Three files contained unauthorised Nominated Candidate forms which should be signed as evidence of line manager approval to recruit the preferred candidate. Four files contained checklis ts that had not been signed by the CSA or supervising officer to confirm that all necessary 'on boarding' documentation had been received. For one employee there were differences in employment start date details between their Itrent system account and those noted on the file checklist, which could result in inaccurate calculation of initial salary. Five files failed to state the Salary Scale point or banding for the post One file showed a difference between the salary banding and Itrent, and One file indicated that a 'Salary Placement' form was required but was not present	Addition of fictitious employees to the Itrent and payroll systems would not be identified. New employees receive incorrect salary payments. Weaknesses in references or missing right to work documents are not identified and addressed during the on boarding process. Customer Service Advisors training requirements and are not identified and resolved. Risk: The CLT and Resources risk registers were checked to identify the relevant risks for our findings High on completeness and accuracy of payroll data against the CLT 'Internal Controls' risk (risk 24 on the CLT register)	The 'On Boarding' process should be reviewed and updated to ensure it is performed consistently, accurately and robustly. Consideration should be given to ensuring the revised process includes the following controls; Appropriate segregation of duties in relation to systems access rights. Regular additional independent review of on boarding files prior to offer of employment to ensure that all mandatory forms are present and completed in full. Independent check to ensure that iTrent and payroll accounts have been established accurately in accordance with information provided during the 'On boarding' process, including authorised Salary Placement Forms where a candidate is placed on a scale point higher than the base of the grade.	The on boarding process will be updated: System cannot be configured to restrict access to specific elements of the end to end task. This will be built into the new Business World system configuration. To ensure appropriate interim controls, a manual check will be undertaken by Senior Transactions Administrators (these staff will have iTrent systems update access removed) to ensure tasks are undertaken by appropriate/restricted officers, supported by the necessary paperwork Files content will b e reviewed by Senior Transaction Administrators to ensure accuracy and consistency. A full process of checks and procedures will be documented and signed off at Team Leader level for each transaction cycle. Newly created compliance team will undertake independent sample checks with recruiting managers to ensure new starts are known and correct. An independent check to reconcile on boarded files to payroll new starts reports for each payroll cycle will be carried out and jointly countersigned by the Team Leaders in Payroll and Recruitment. Authorised salary placement forms will be part of the check.	Overdue	31/08/17	10/11/17	24/10/17 12/10/17	IA Update October Following discussion with the recommendation owner, Head of HR and HR IA workstream lead a further discussion and walkthrough to clarify and agree requirements and ensure they are fully understood. Revised implementation date of 10/11/17 has been agreed. IA Update September: As at August, management had confirmed that the 10% check of files would not be performed due to resource constraints, and a retrospective review would be performed by the Compliance Team (starting October 17). However the 10% check has now been implemented within the HR Service Centre Team. Review of the 20 checks between paper files and iTrent completed by the HR Service Centre confirmed that 13 (65%) of the checks had failed. There was no evidence to confirm that these failed checks had been rectified. Additionally the process changes had not been documented and communicated to the team. Audit has advised the HR Service Centre of the changes that are required to ensure that controls are implemented and support closure. Recommendation cannot be reduced given the control gaps noted from our walkthrough. Management to confirm whether Compliance team check swill commence in October in addition to the 10% check noted above.	Cheryl Hynd, Transactions Team Manager
RES1704 ISS.5	RES1704	Starters	Resourc	ISS.5	High	Manual 'on boarding' files are maintained in Waverley Court for all new starts until, a new employee account is created on the iTrent system; two payroll periods have passed; and an employment contract is generated. These manual on boarding files include sensitive personal data about prospective employees. The current contract preparation process involves automated creation of contracts via a mail merge' process. Source data for the mail merge is a spreadsheet that is extracted from the iTrent system in Excel format and used as the basis of the mail merge Review of the record management processes supporting on boarding and contract generation established that: Nine of our requested sample of 46 manual ' on boarding ' files could not be immediately located . It was noted that a further 3 files were located between completion of our testing and the time of writing this report. The missing 6 files is attributable to the fact that the record management and retention process for manual on boarding files is dated, incomplete and not consistently applied. Review of a sample of 25 on boarding files identified 16 archived files that had been sent to Iron Mountain containing sensitive personal data such as bank details; PVG applications; criminal conviction questionnaires; and equal opportunities questionnaires. These documents should have been removed and destroyed prior to archiving , in line with the agreed process within the team and standard best practice. There are no reconciliation controls in place between manual on boarding files and data recorded on the spreadsheet used as the basis for the 'mail merge' to ensure that the full population of contracts is produced; and The newly introduced 'mail merge' process results in an inability to automatically upload employment contracts on employee iTrent accounts, or to generate manual / electronic copies of the contracts for retention. Evidence is not retained to confirm that all new starts have received their employment contract within 8 weeks of their start date.	Breach of Data Protection legislative requirements and non compliance with the Council's Records Management Policy Breach of employment law requirement to issue full terms and conditions within 8 weeks of employee starting. Regulatory fines and penalties for breach of legislation Risk: the CLT and Resources risk registers have been checked to identify the relevant risks for our findings: High on Record Management against the Resources 'Information Governance' risk (risk 8 in the risk register.	Record management processes should be defined and implemented to ensure that manual files are managed, retained and archived in line with Data Protection legislation and the Council's Records Management Policy. This should include requirements for secure storage; recording of the location and transfer of all manual files and a process supporting either electronic or manual retention of employment contracts. There is no mandatory requirement to destroy sensitive personal information prior to archiving however this approach, supported by retention of a completed checklist was confirmed as good practice by the Information Governance team. An investigation should be performed to establish the full population of missing files and ensure that they are located and either securely stored or archived. A reconciliation should be performed to confirm that the 'mail merge' spreadsheet includes data from the full population of on boarding files to ensure that no contracts are missed.	Change in the storage procedure initiated with secure, central storage and indexed records, detailing location and where appropriate details of transfer of manual files to other 3rd parties (internally and Iron Mountain). Guidance from the home office recommends retention of some sensitive personal data which evidence right to work etc. This data will be required moving forward to evidence Council compliance with "Right to Work" legislation. Appropriate document retention will be agreed with Information Governance A retrospective Compliance Project commences on 10/7/17 for 8 weeks to check all 18,500 personal files. Remedial action to be taken to identify any missing files and ensure securely filed in future. The 'mail merge' process for issuing contracts now includes a reconciliation of on boarding files to contracts issued. This is recorded and signed off for each cycle by TL. 12/9/17	Overdue	29/09/17	10/11/17	25/10/17 12/10/17	IA Update October Two walkthroughs had previously been performed that confirmed that the revised controls were not operating effectively. Following discussion with the recommendation owner, Head of HR and HR IA workstream lead a further discussion and walkthrough to clarify and agree requirements and ensure they are fully understood. Raised implementation date of 10/11/17 has been agreed.	Cheryl Hynd, Transactions Team Manager
CW1603 ISS.5	CW1603	External Vulnerability Assessment	ICT Solu	ISS.5	Medium	For projects that involve the implementation of new technologies or information management, the Council have implemented processes such as 'Security Assurance Statements' that ensure security considerations are acknowledged prior to project initiation and 'Privacy Impact Assessments' that assesses the use and management of sensitive data. However there is currently no Design Authority or appropriate governance forum in place within CGI to manage the introduction of new technologies and systems into the Council' s existing infrastructure. As new projects and systems are being developed, there is not a suitable forum that would support the identification of IT security and technical considerations associated with these technologies, or the suitability of integration with existing IT infrastructure. There is also a lack of consistency in the approach of project teams to the performance of security assessments on project deliverables, which results in project delays. This is symptomatic of not having an established design authority and embedded IT adoption processes in place, as well as sufficient awareness within the Council of the need to consider security requirements when implementing new technologies.	Without a Design Authority in place, there is a risk that issues with new technologies and systems are not identified in a timely manner leading to wasted resources, duplication of effort and project delays.	The Council, with the support of CGI, should implement a Design Authority that has appropriate oversight and governance to consider whether new technologies comply with the Council's security requirements, existing security architecture and aligns with the Council's strategic IT objectives.	The existence of a Design Authority is a contractual requirement in the CGI contract. The creation of this Authority will be progressed with CGI as a matter of priority.	Overdue	31/08/17	30/03/18		September Update: CGI have yet to deliver a cohesive Design Authority despite concerted effort and escalations by ICT Solutions management. Meeting with CGI Solution Architect on 14/09/2017 resulted in agreed approach and plan for the creation of an effective Design Authority. Revised implementation date is 30/03/2018.	Neil Dumbleton, ICT Enterprise Architect

Unique No	Project Code	Project Name	Group	Issue Cod	Rating	Finding	Business Implication	Recommendation	Agreed Management Action	Status	Due Date	Revised Date	Revisions	Status Update	Owner
RES1614 ISS.2	RES1614	Lothian Pension Fund Cyber Security	I&P	ISS.2	Medium	We found that: Security was not fully considered at time of procurement of third party systems; and There is no formal, ongoing security governance for these third parties. Without effective oversight, LPF cannot gain assurance that controls in place at third parties are appropriate based on the services and data hosted. LPF outsources the provision of the Pension Administration System, the hosting of the infrastructure that it sits on, and at the time of review was in the project phase for contracting with another 3rd-party supplier – Civica – to provide the 'Employer Data Transfer Portal'. By formally reviewing security requirements and the provisions at third parties, LPF will understand if controls at the supplier mitigate risks to an acceptable level, taking into account compliance with the security objectives, requirements, regulations, and contractual obligations that are important to LPF. The companies that provide these services to LPF are all ISO 27001 certified, and as such can demonstrate that they have a framework for managing security. However, ISO 27001 certification does not provide a report on information security controls that are in place within the organization. It is therefore important that LPF is satisfied that the controls in place at third parties are proportionate to the risks faced and that these controls protect LPF member data adequately. Regulators are increasingly focusing on oversight of third parties and the FCA recently published Third Party Outsourcing Guidance that highlights areas that should be considered, including: Firms should understand the risks of outsourcing and identify steps to mitigate them; and Ensure contracts have appropriate provisions for breach notification and remediation. With regard to oversight, the FCA notes: "Firms retain full accountability for discharging all of their responsibilities and cannot delegate responsibility to the service provider." And: "Firms should carry out a security risk assessment that includes the service provider and the technology assets administered by the firm."	If LPF do not routinely consider the security of their suppliers, the impact and likelihood of a data breach, system compromise, or loss of service are increased. This may result, in adverse media coverage for LPF, loss of stakeholder confidence, an impact on financial results and could impact core services provided. Additional consequence can include increased vulnerability to litigation and the possibility of regulatory enforcement actions.	LPF should consider implementing a Supplier Risk Management Framework. Effective Supplier Risk Management will help LPF maintain consistency and visibility of the risks they face from the third parties that they contract with. It will also allow LPF to demonstrate to stakeholders, regulators and management that supplier risk is considered consistently LPF should review existing third party contracts to ensure that security provisions are appropriate.	LPF agrees to implement both recommendations. Existing third party contracts will be reviewed on a risk prioritised basis.	Overdue	30/09/17			October Update (IA) No evidence provided in relation to implementation of the supplier management framework which is the main reason for recommendation not closing. Evidence has been provided that review of security provisions in contracts has been performed.	Struan Fairbairn, Chief Risk Officer, LPF
Strategy & Insight															
RES1607 ISS.1	RES1607	Online Customer Services	Strategy	ISS.1	Medium	Communication with the Head of Service and Service Manager for Licensing about the development and delivery of the HMO Licensing work stream has been irregular and limited to date. There was a 2-week consultation period in winter 2015 at the beginning of the project, but there has been limited communication since. There is no representative from the service area on the Project Board, and key programme documents have not been shared with the service area including: The Project Initiation Document (PID); The design document (which maps both the existing and the proposed processes); ICT and Transformation n Service Level Agreements:, Risk registers (with no process of escalation of the risks from the Service Area to the programme) ; Agendas and minutes from Project Board and other key group meetings; and Support available to the service area during and post-implementation. There is no stakeholder engagement stage in corporated in the project plan. We note that the design document for the HMO licensing onlin e platform states that ' [the] Licensing Team [is] to own policy and guidance documents development to accommodate an online platform . ' It is unclear how they can do this effectively without involvement in its design and implementation.	Stakeholder expectations are not adequately managed as critical stages of the project are not communicated; The Project Board may not have a full understanding of the service requirements for each work stream , meaning that it may not deliver the expected benefits ; The needs of users are not considered in the development of the system , meaning that it may not deliver expected benefits ; Barriers to implementation that the service area is able to identify from experience, but which may not be obvious to the programme team (for example, legislative requirements) are not captured; Service Area leads may not buy-in to the project which risks slowing project progress.	Stakeholder Engagement The Project Board should include representatives from the live Service Area projects to ensure all critical documentation is shared and service and legislative requirements are considered, managing stakeholder expectations at each stage of the project . The Project Board may decide that this is most effectively managed through the creation of working groups for key work streams.	As part of the Programme rest (detailed in the 'Current Status Update' above), the programme governance and model used for business engagement is being reviewed, clarified and improved. This will include standardised documentation. When the detailed plan is received from CGI/Agilisys in April 2017 Working Groups for each " Dr op" will be convened to include Subject Matter Experts from each of the relevant service areas. Re-engagement across senior and frontline stakeholders is currently being planned to refresh the message and planned outcomes of the Programme to support buy-in across the organisation.	Overdue	31/05/17	29/12/17	31/08/17 29/12/17	September Update: Greg Malkin has taken over the responsibility for this project. It has been placed on hold until there is further action by CGI towards setting up the new platform and technical solutions such as Web or CDE. The customer journey is being reviewed by a project manager with the support of an officer from comms. they are looking at the website and enhancing signposting for existing digital transactions. There is clarity over the coms approach, representation on the working group supporting agile sprints. Head of Comms is attending Web and CDE board so there are people in place to develope detailed plans when the programme is formally restarted. Revised date amended from 31/8/17 to 29/12/17 Governance structure was put in place before project was placed on hold. This will be adapted based on whatever the new development partner structure may be.	Clare Mills, Project Manager

Governance, Risk and Best Value Committee

10.00am, Tuesday, 16 January 2018

Corporate Leadership Team Risk Update

Item number	7.6
Report number	
Executive/routine	
Wards	

Executive summary

The Council's risk management framework seeks to ensure that risks to and within the Council are effectively managed, reviewed and updated through quarterly Risk and Assurance Committees held at both Directorate and Corporate Leadership Team (CLT) levels.

The information presented in this report reflects the Council's top risks and the key controls in place to mitigate them as at 6 December 2017. These risks and the associated controls have been scrutinised and challenged by the CLT and are presented to the GRBV Committee for oversight and review.

EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

Report

Corporate Leadership Team (CLT) Risk Update

1. Recommendations

1.1 To review and scrutinise the CLT risk update and be assured by the risk management framework, controls and mitigations in operation.

1.2 To request, where appropriate, further updates from relevant officers to discuss the key risks and mitigating actions identified.

2. Background

2.1 The Governance, Risk and Best Value (GRBV) Committee is responsible for monitoring the effectiveness of the Council's risk management arrangements.

2.2 The Council has an Enterprise Risk Management Policy and Risk Management Procedure in place which describe why, when and how risk management should take place. These documents are reviewed and updated annually.

2.3 The purpose of this report is to provide an update to the Committee on the key risks currently facing the Council and the work being undertaken to reduce the level of risk within the Council.

2.4 Some risk and associated mitigation measures lie outside the control of the Council. The Council's risk management framework seeks to reduce the Council's exposure to risk where practicable and proportionate, recognising that some mitigation measures may be the responsibility of third parties.

2.5 The CLT Risk Update was last presented to the GRBV Committee on 26 September 2017.

3. Main report

3.1 During the last quarter, risks have been reviewed at Risk Management Groups, Directorate Management Teams, and the Risk and Assurance Committees which cover all Directorates and the Chief Executive's Services. The top risks have been escalated to the CLT Risk and Assurance Committee for oversight, scrutiny and confirmation of scoring, in accordance with the Council's risk management framework.

3.2 The information in this report reflects the Council's top risks and the key controls in place to mitigate them, as at 6 December 2017. Appendices 1 and 2 reflect the current top risks to the Council and the key controls in place.

3.3 The risks set out in the appendix are not in any rank order given the differences in 'inherent' and 'residual' risk scores and the variables in the levels of tolerability, control and/or proximity to an event occurring. However, CLT consider that 'Health and social care delivery', 'Health and Safety' and 'Capital asset management' are the Council's current top focus areas from a risk perspective. .

3.4 Three new risks have been added to the CLT Risk Register. These are: 'Workforce capacity and capability, 'Major Programme and Project delivery and assurance' and 'Homelessness'.

3.5 Due to the scoring system used, by definition the Council's top risks will tend to appear toward the top right of the 'heatmap' graphic in Appendix 1. It should be noted that it may not always be practicable or proportionate to undertake mitigation measures which reduce the scoring to a level that risks move out of the 'red zone'.

3.6 Improvements to the risk management framework, based upon good practice in the public and private sector, are being continually reviewed and considered for implementation as part of continuous improvement. These are designed to refine and enhance several areas of the risk management framework and will be documented in the next update of the Policy and Procedure documents.

3.7 The Risk Management Team is currently considering options to introduce risk management software to better harmonise and streamline the escalation and reporting of risk across the Council.

4. Measures of success

4.1 Effective risk management aims to ensure that key risks to the Council are identified, managed, and communicated appropriately and that suitable controls are put in place to mitigate risks to acceptable levels.

5. Financial impact

5.1 There is no direct financial impact arising from this report.

5.2 Control measures to mitigate risk may have an associated cost which is to be funded from existing budgets in the first instance.

6. Risk, policy, compliance and governance impact

6.1 Effective risk management aims to improve performance against objectives by contributing to more efficient use of resources, reduction in management time spent dealing with sudden shock events and more focus internally on doing the right things properly.

6.2 By its very nature risk management cannot guarantee to protect against every possible negative consequence. Even with a perfectly-functioning risk management framework, events considered significant or untoward with a low likelihood may still occur, resulting in significant negative consequences.

7. Equalities impact

7.1 There are no direct impacts upon equalities arising from this report.

8. Sustainability impact

8.1 There are no direct impacts upon sustainability arising from this report.

9. Consultation and engagement

9.1 As part of the Council's risk management framework the information in Appendices 1 and 2 has been discussed, challenged and agreed by the CLT.

10. Background reading/external references

10.1 Corporate Leadership Team Risk Update: report to GRBV 26 September 2017

10.2 City of Edinburgh Council's Policy Register

Stephen S. Moir

Executive Director of Resources

Contact: Duncan Harwood, Chief Risk Officer, Legal and Risk, Resources Directorate

E-mail: duncan.harwood@edinburgh.gov.uk Tel: 0131 469 3193

11. Appendices

Appendix 1 – CLT Top Risks as at 6 December 2017

Appendix 2 – CLT Top Risks with Mitigating Actions

Appendix 1 - Corporate Leadership Team (CLT) Top Risks

1. Health and Social Care
Due to increased demands for services and associated demographic changes, leading to significant financial pressures, compounded by historic funding arrangements and traditional service models, there is a significant risk that the Council fails to implement and/or deliver appropriate health and social care arrangements, as required under the terms of the Edinburgh Integration Joint Board (EIJB). The potential impact of failure to manage this risk effectively could include direct harm to people, safeguarding breaches, inappropriate care packages being offered and significant reputational damage to the Council with additional calls for funding from other Council budgets.

2. Capital and asset management
Due to the age of a number of properties across the Council's operational estate, there is risk that properties are not of a sufficiently safe and sustainable standard for their continued use, potentially resulting in structural failures and/or negative health and safety consequences for staff, service users or members of the public. Associated with this, the Asset Management Strategy requires that decisions are made to dispose of properties in a planned manner. The risk associated with the implementation of the strategy is that disposal decisions are not made in a timely manner, which results in additional costs pressures for both the capital and revenue budgets and consequently demographic pressures cannot be responded adequately to by the property portfolio, particularly for education and health and social care services.

3. Transformation and change agenda
Key deliverables, benefits and timescales for achieving change across the Council may not be achieved in line with business expectations, requirements, budgets and resources. This may result in adverse impacts on service delivery, the Council's finances and reputation.

4. Major incident
A sudden high impact event causes harm to people and damages infrastructure, systems or buildings. Buildings, staff and/or systems are non-operational for a time, resulting in a reduced ability to deliver services. Failure to deliver an appropriate level of service in the event of a sudden operational requirement may lead to harm to people and reputational damage to the Council.

5. Maintaining service with less resource
Funding reductions, legislative changes, and increased demographic pressures, as well as the requirements of the City Deal and the Local Development Plan, mean that the legal requirement to deliver balanced budgets may be placed at risk. In addition, the anticipated need for further savings to deliver balanced budgets may create additional material pressure on our infrastructure, capital and revenue funding, the execution of the Council's business plan, with the associated adverse reputational impact.

6. Information Governance
A loss of data from the Council's control could result in fines, claims, loss of public trust and reputational damage. This risk takes into account the new requirements arising from the New General Data Protection Regulation due to take effect in May 2018.

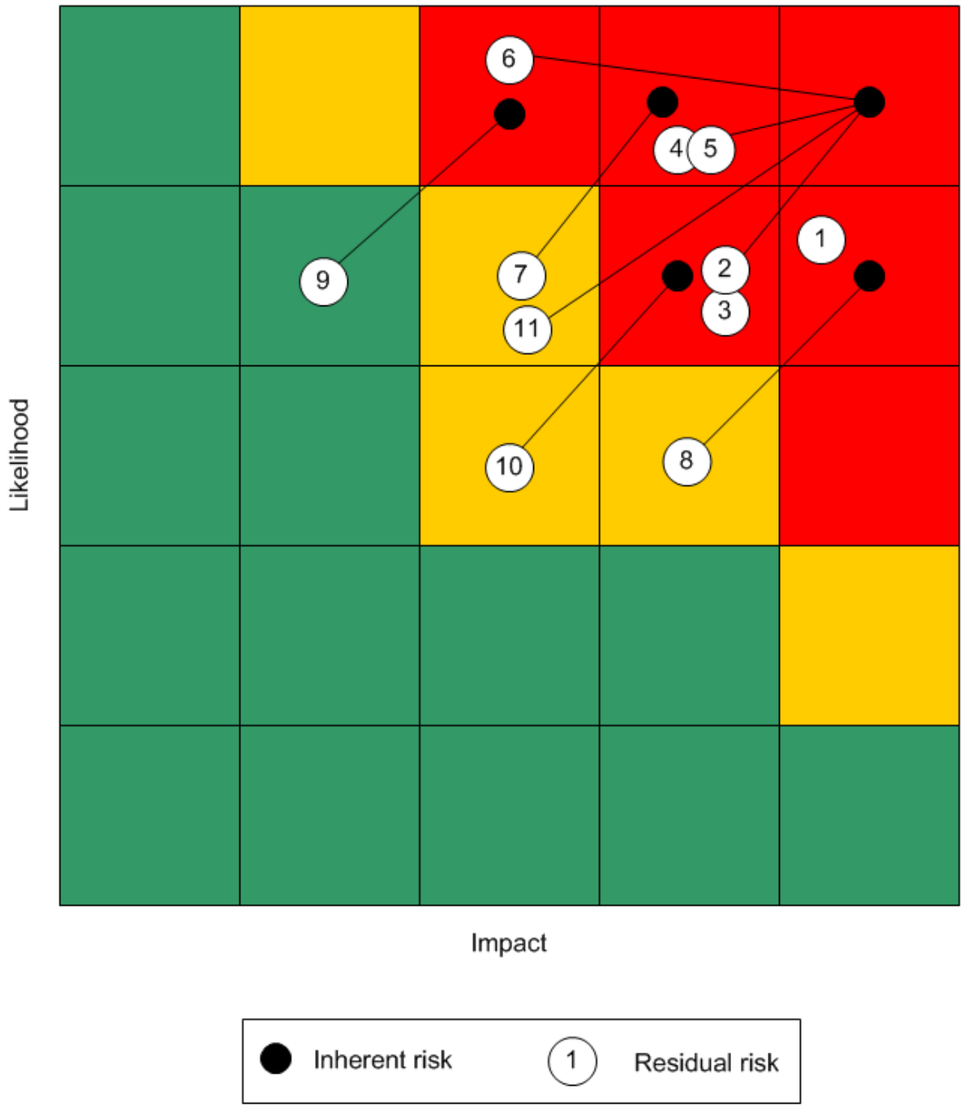
7. Customer experience and expectations
Customer dissatisfaction around delivery of citizen facing services (e.g. waste management, roads, etc.) may lead to increased complaints with consequential financial pressures and reputational damage.

8. Health and Safety
There is a risk of non-compliance with the Council's legislative requirements and associated suite of health and safety policies and/or failure to comply with procedures or applicable legislation could lead to an incident resulting in harm to staff, service users or members of the public, liability claims, regulatory fines and associated reputational damage.

9. Workforce Capacity and Capability
The risk is that the Council is unable to recruit, retain, develop, engage and reward its employees effectively, including those in specialist roles to enable service delivery in a sustainable and affordable manner.

10. Major Programme and Project Delivery and Assurance
The Council is unable to ensure the effective management and successful delivery, on time and budget, of major programmes and projects. This risk also outlines the need for the Council to prioritise and deploy project delivery resource effectively, according to business needs, ensuring that benefits are realised and learning is shared effectively across all delivery activity.

11. Homelessness
Due to planned welfare changes, the introduction of Universal Credit, changes to the benefit payment process, and a buoyant private rented market, greater demands will be placed on homelessness services across the city. Move-on, permanent accommodation for homeless people is not sufficient to meet this demand and there is insufficient capacity in temporary accommodation, leading to



These are the top risks to the Council as at 6 December 2017 and are not presented in any ranked order.

more people rough-sleeping or in sub-standard conditions, and to breaches in the Council's statutory duties. The cost of mitigating both this risk and the reduction in rent collection rates is not accounted for in current budgets.

Appendix 2 - CLT Top Risks with Mitigating Actions

	Risk description	I	L	Current key mitigating controls	I	L	Further actions
1	***Health and Social Care delivery*** Due to increased demands for services and associated demographic changes, leading to significant financial pressures, compounded by historic funding arrangements and traditional service models, there is a significant risk that the Council fails to implement and/or deliver appropriate health and social care arrangements, as required under the terms of the Integration Joint Board. The potential impact of failure to manage this risk effectively could include direct harm to people, safeguarding breaches, inappropriate care packages being offered and significant reputational damage to the Council with additional calls for funding from other Council budgets.	5	4	• Corporate Policy and Strategy Committee to scrutinise health and social care performance, delivery and risk management • Recruitment for new full-time Chief Officer of the IJB underway from 24 Nov 17 • Access to external experts for capacity and capability and knowledge sharing • Partnership working with service areas and IJB (IJB Procurement Board) • the Council's Chief Internal Auditor is also the Chief Internal Auditor for the IJB thereby ensuring auditing of key risks • Implementation of Health and Social Care Improvement Programme initiated in December 2017	5	4	• Risk management arrangements of the IJB to be enhanced with appointment of a Chief Risk Officer to come from NHS Lothian (subject to further discussion) • Partnership Improvement Programme to be confirmed by IJB on 15 December 2017. • Appointment of a permanent Chief Officer for the IJB to be complete in March 2018.
2	***Capital and asset management*** Due to the age of a number of properties across the Council's operational estate, there is risk that properties are not of a sufficiently safe and sustainable standard for their continued use, potentially resulting in structural failures and/or negative health and safety consequences for staff, service users or members of the public. Associated with this, the Asset Management Strategy requires that decisions are made to dispose of properties in a planned manner. The risk associated with the implementation of the strategy is that disposal decisions are not made in a timely manner, which results in additional costs pressures for both the capital and revenue budgets and consequently demographic pressures cannot be responded adequately to by the property portfolio, particularly for education and health and social care services.	5	5	• Committee approved Asset Management Strategy in place. • Asset registers in place with prioritised budget spend on those deemed of greatest risk to public safety • General Inspections carried out annually as part of asset management programme • Corporate Health and Safety Policy issued 3 April 2017 • Fire Safety Policy issued 1 November 2017 • Integrated Property and Facilities Management (IPFM) report to CLT • Condition Survey of all premises completed. • North Bridge project underway	4	4	• Procurement underway for contract to inspect all boundary walls. Complete by December 2018. • Council to consider investment in asset management repairs and maintenance requirements as part of the budget setting process in February 2018. • Reporting of progress with the Asset Management Strategy delivery to be a regular item for Finance and Resources Committee. • Fire Safety action plan for Waverley Court to be delivered following Scottish Fire and Rescue Service inspection.
3	***Transformation and change agenda*** Key deliverables, benefits and timescales for achieving change across the Council may not be achieved in line with business expectations, requirements, budgets and resources. This may result in adverse impacts on service delivery, the Council's finances and reputation.	5	5	• Council Change Strategy being developed, aligned to the Business Plan • Improved programme and project governance being applied through the CLT Change Board and new Business Case gateways process • Plans for the key projects in terms of scoping and resources being reviewed • Key transformation programmes supported by Programme / Project Management expertise	4	4	• Implementation of Change Strategy and enhanced programme governance and business case approvals • Clear and robust programme/project plans • Greater focus on delivery assurance and benefits realisation
4	***Major incident*** A sudden high impact event causes harm to people and damages infrastructure, systems or buildings. Buildings, staff and/or systems are non-operational for a time, resulting in a reduced ability to deliver services. Failure to deliver an appropriate level of service in the event of a sudden operational requirement may lead to harm to people and reputational damage to the Council.	5	5	• Council Business Continuity and Emergency Plans are in place • All Chief Officers have been briefed about the Council's Incident Management response arrangements and on-call responsibilities • Appropriate expertise and capability in place via the Council Resilience Team • Information Technology Disaster Recovery (IT DR) arrangements in place and being tested • Effective and regular liaison and partnership working between the Council and other responder organisations at a local and national level including contingency planning for major events • Business Impact Assessments in place for all Services • Externally contracted services include DR and business continuity provisions	4	4	• Council participation in multi-agency scenario testing of emergency plans • Rolling programme of IT disaster recovery tests being undertaken.
5	***Maintaining service with less resource*** Funding reductions, legislative changes, and increased demographic pressures, as well as the requirements of the City Deal and the Local Development Plan, mean that the legal requirement to deliver balanced budgets may be placed at risk. In addition, the anticipated need for further savings to deliver balanced budgets may create additional material pressure on our infrastructure, capital and revenue funding, the execution of the Council's business plan, with the associated adverse reputational impact.	5	5	• Effective Long-Term Financial Planning in place, aligned to the Council's Business Plan and Performance Framework • Provision for demographic change built into long term financial planning assumptions • Regular review of financial challenges and assumptions with Members Budget Core Group and Finance and Resources Committee • Monthly Performance Dashboard reporting to Directorates • Monthly budget monitoring • Savings and implementation plans are monitored and reviewed • GRBV scrutinises Council Finance and Performance outcomes, assumptions and delivery	4	5	• Refreshed Directorate Business Plans to be produced • Revised Council Performance Dashboard/Framework to be considered by Council • Annual External Audit of Council's Financial Planning and Long-Term assumptions to be reported

6	***Information Governance*** A loss of data from the Council's control could result in fines, claims, loss of public trust and reputational damage. This risk takes into account the new requirements arising from the New General Data Protection Regulation due to take effect in May 2018.	**5**	**5**	• Refreshed Information security policy introduced • Laptop and media encryption • Service automation controls in place • New IT Security Managed Service procured with requirements to adopt CESG (Communications Electronics Security Group – now part of the National Cyber Security Centre) and ISO (international standards) best practice approaches and improve the security defences, monitoring and awareness of the security threat landscape • Leavers process includes removal of access to IT applications • GDPR Implementation Plan in place, led by Strategy and Insight. • Cybersecurity campaign underway (November 2017) • Internal Audit testing of cybersecurity.	**3**	**5**	• Assess impact of delays in delivery of IT systems • ISMS (Information Security Management System) • Monthly MI demonstrating any threats. • PSN re-accreditation submission to be made in January 2018. • GDPR compliance audits to be undertaken by Information Governance between January to March 2018. • Implementation of SharePoint technology to improve security and storage arrangements.
7	***Customer experience and expectations*** Customer dissatisfaction around delivery of citizen facing services (e.g. waste management, roads, etc.) may lead to increased complaints with consequential financial pressures and reputational damage.	**4**	**5**	• Waste Services Improvement Plan in place and being progressed • Roads Service Improvement Plan in place and has been approved by the T&E Committee and will now be delivered • Customer Transformation Programme being delivered in partnership with front-line services • Customer Skills Training being deployed across all Customer Contact Centre staff • Improved social media skills and capability being jointly delivered by Communications and Customer • Channel Shift and Process Automation aspects of the Customer Transformation Programme are being delivered to improve accessibility and responsiveness of services • Corporate Policy and Strategy Committee to receive regular reports and updates on Customer Transformation and Customer Contact Centre improvements and service delivery	**3**	**4**	• Improvements to Council Complaints and Feedback Policy and handling arrangements • Citizen Panel to provide feedback on customer experience and service improvements • Enhancements to Council social media responses to issues and proactive campaigns, such as during the Edinburgh Festivals • Delivery of improved customer contact service performance
8	***Health and Safety (H&S)*** There is a risk of non-compliance with the Council's legislative requirements and associated suite of health and safety policies and/or failure to comply with procedures or applicable legislation could lead to an incident resulting in harm to staff, service users or members of the public, liability claims, regulatory fines and associated reputational damage.	**5**	**4**	• Progress on Corporate H&S Strategic Plan is reported annually to CLT and Finance and Resources Committee • H&S performance measured and reported to CLT Risk and Assurance Committee quarterly • H&S risks and issues reported to CLT on a weekly basis, H&S is a standing CLT agenda item • Corporate H&S Training programme available across the whole organisation and completion and update reporting is in operation across Directorate and Council H&S Groups • H&S input and awareness raising is part of the Council's Induction Programme • Annual H&S conference was held 13 October 2017. Theme of 'Health & Safety is everyone's responsibility' • Asbestos Policy issued 1 November 2017 • Fire Safety Policy issued 1 November 2017	**4**	**3**	• Greater uptake and attendance at H&S training sessions. • Introduction of new IOSH accredited H&S training for senior managers to ensure ownership of H&S responsibilities. • Service Level Agreements for new FM Service delivery model makes explicit roles and responsibilities for H&S in Schools and other establishments. • Implementation of phase 1 of the new FM Service in February 2018.
9	***Workforce Capacity and Capability*** The risk is that the Council is unable to recruit, retain, develop, engage and reward its employees effectively, including those in specialist roles to enable service delivery in a sustainable and affordable manner.	**3**	**5**	• Council People Strategy provides strategic priorities for workforce management and development. • People Plans developed for each Directorate of the Council. • Deployment of effective learning and development, including staff induction and new line manager induction sessions. • Commitment to Living Wage • Development and launch of a new candidate portal.	**2**	**4**	• Implementation of new recruitment campaign for teaching staff. • Further development and review of HR policies and procedures to ensure these are agile, enabling and support recruitment and retention. • Finalisation of leadership development approach for the Council. • Employee Survey to be undertaken in 2018 to identify underlying issues to improve engagement and advocacy levels.
10	***Major Programme and Project Delivery and Assurance*** The Council is unable to ensure the effective management and successful delivery, on time and budget, of major programmes and projects. This risk also outlines the need for the Council to prioritise and deploy project delivery resource effectively, according to business needs, ensuring that benefits are realised and learning is shared effectively across all delivery activity.	**4**	**4**	• Delivery of major programmes and projects to be given oversight via the relevant Executive Committees and the Governance, Risk and Best Value Committee. • CLT Change Board to provide monthly portfolio management and oversight for all programmes and projects, supporting by a clear project dashboard. • Ongoing review of project management capacity and capability within Strategy and Insight. • All significant change to have an approved business case detailing resources and skills required to deliver	**3**	**3**	• Successful appointment of a new Strategic Change and Delivery Manager as part of the Strategy and Insight restructure. • Implementation of Internal Audit recommendations in respect of Change Management. • Implementation of recommendations from change management reform report agreed at committee
11	***Homelessness*** Due to planned welfare changes, the introduction of Universal Credit, changes to the benefit payment process, and a buoyant private rented market, greater demands will be placed on homelessness services across the city. Move-on, permanent accommodation for homeless people is not sufficient to meet this demand and there is insufficient capacity in temporary accommodation, leading to more people rough-sleeping or in sub-standard conditions, and to breaches in the Council's statutory duties. The cost of mitigating both this risk and the reduction in rent collection rates is not accounted for in current budgets.	**5**	**5**	• Homelessness Task Force established and meeting monthly. • Extending private sector leasing scheme into 2019 • Progress reporting and oversight via the Housing and Economy Committee each cycle	**3**	**4**	• Discussion with Scottish Government to access funding from National Task Force • Implement the plan to be set by Homelessness Task Force

Governance, Risk and Best Value Committee

10.00am, Tuesday 16 January 2018

Status of the ICT Programme

Item number	7.7
Report number	
Executive/routine	
Wards	All
Council commitments	

Executive Summary

The purpose of this report is to give an overview of the programme of works within ICT and of the current service delivered by the Council's external ICT partner, CGI.

Since the last update report was presented to the Committee, there have been an increased number of critical faults in the network and this has had a significant impact on the council's ability to deliver core services. Most major change programmes required to be delivered by CGI are at least 12 months overdue and there are several still in a re-planning stage. These service failings and change programme delays continue to adversely impact the transformation of the Council and the delivery of more efficient and effective services for the benefit of citizens, pupils, Councillors and Council officers.

In December 2017, given the issues experienced by the Council, a review was held by the Council with the CGI Global Chief Executive Officer at which CGI committed to the delivery of an improvement plan focussed in three areas: service stability, security and a deliverable change and transformation programme.

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Report

Status of the ICT Programme

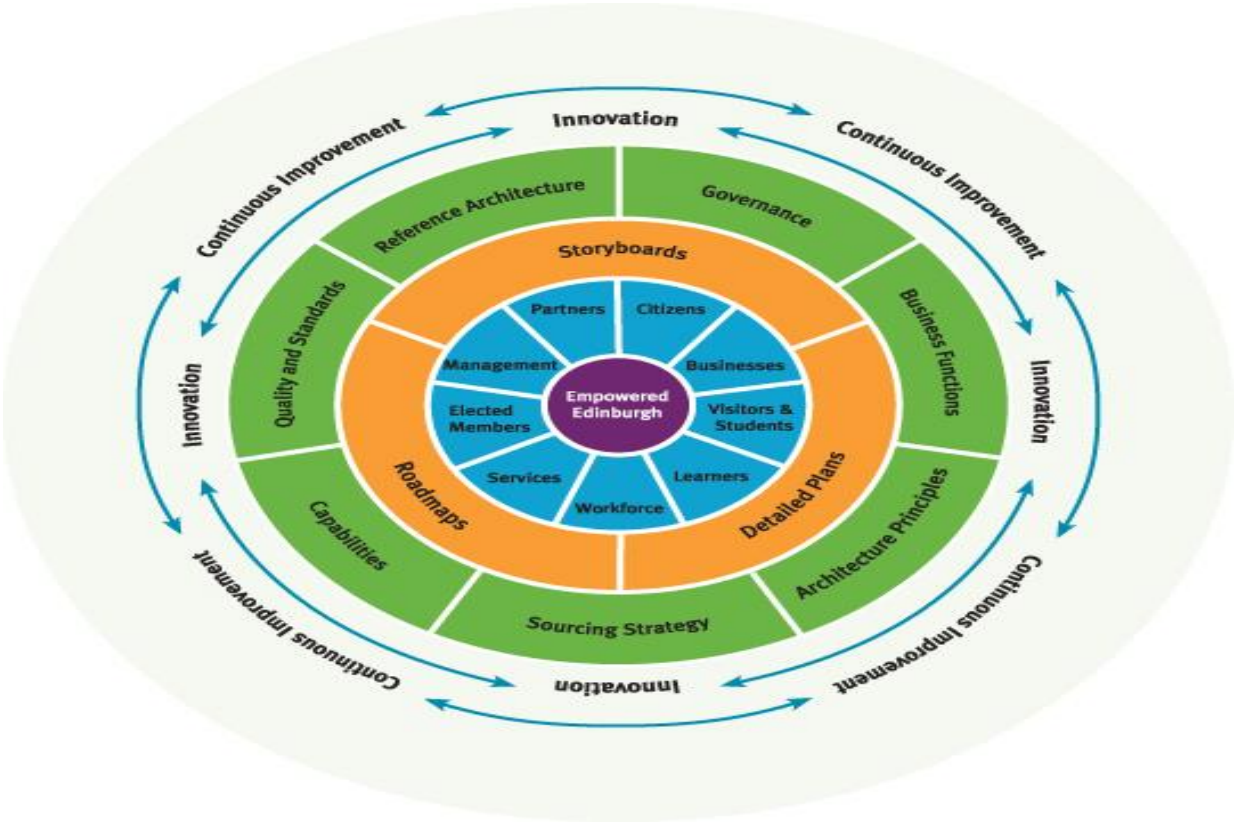
1. Recommendations

1.1 It is recommended that the committee notes and scrutinises the update.

2. Background

ICT strategy

2.1 The City of Edinburgh Council's current strategy to deliver the vision for ICT services is to focus on understanding citizen and colleague needs to deliver the outcomes that matter to them. The current ICT and Digital Strategy is business driven and action orientated. The diagram below summarises our operating model to support the empowering of Edinburgh through the use of ICT and Digital.



2.2 By defining the Council's approach around the benefit that citizens and colleagues will receive, through enablement by ICT and Digital, we will maximise the value that can be delivered from our reducing resource base. This will help us to deliver a 'One Council' focus to designing and sourcing our ICT and Digital provision whilst

enabling citizen and colleague-centric delivery, i.e. what the Council needs to deliver the services where service users need it.

CGI – External ICT Partner

2.3 The Council has operated an outsourced ICT arrangement since 2001. A new contract for ICT services was entered into in 2016 to continue with a prime supplier model but in a non-exclusive contract to transform the existing ICT service into a flexible, scalable service and to implement an output based contract(s) ('what' we get rather than 'how'). The new contract is intended to save the Council at least £6m per annum against the 2015/16 ICT baseline spend, £45m over the first seven years. ICT Services, under this contract, are procured on a utility basis (flexible "pay as you go" terms). The contract is also structured to deliver 25% of the value of ICT services over the term of the contract through subject matter expert's.

2.4 The term of the contract awarded was for "up to 19 years" to CGI, with periods awarded as 7 years initially, with the option for the Council to extend by 5 years, a further 5 years and a final 2 years. CGI are contractually responsible for providing to the Council: service transition, service transformation and operational services delivery, initially comprising of 93 Output Based Specifications including base services, utility services, and business case development services.

Major Change Programmes

2.5 The portfolio of major change programmes that CGI is responsible for delivering for the Council includes a number of critical service developments. These are outlined as follows:

2.6 Wide Area Network: To deliver a high bandwidth, fibre-based wide area network delivering improvements in operational efficiency, productivity, reliability and scalability to enable the next generation of digital learning opportunities in city schools and to improve commercial and cultural opportunities for live event streaming, webcasting and conferencing in the city's cultural venues.

2.7 LAN and Voice: to reduce infrastructure costs and complexity, to implement flexible 'find me/follow me' call routing allowing remote and mobile working and to create opportunities for further innovations and savings through evolving work practices.

2.8 End User Compute: to allow anytime, anywhere access to email, important documents, contacts, and calendar across devices, to share large, hard-to-email files both inside and outside the Council.

2.9 Enterprise Resource Planning (ERP) / Business World: A single repository for all financial and HR transactions, providing one trusted source of all financial information, to reduce printed invoices by utilising electronic invoicing and manual payment plan maintenance enabling a reduction in staffing and an enabling platform to deliver wider savings.

2.10 Customer Digital Enablement (Channel Shift): to improve citizen engagement with real time, online transactions across Council services, to increase operating efficiencies and significantly reduce the cost of end-to-end transactions and to

improve citizen insight and enabling agile and rapid development of future online services.

2.11 Web: to deliver a best in class web platform for citizen transactions, enabling and accelerating channel shift and reduce operating costs.

2.12 Libraries: to improve the user experience of the library system to better engage citizens and increase adoption through improved user interface, to reduce operating costs through lower cost software and increased device support, and to become a single library management system.

3. Main report

3.1 Since the contract commenced CGI has consistently underperformed on their contractual commitments. Major change programmes have missed the original delivery dates, and in a number of cases revised delivery dates. This has meant that Council has been unable to realise the service transformation benefits and/or the full expected profile of savings envisaged through the contract.

3.2 The Council has consistently invested significant senior management time and the totality of its small team of in-house ICT professional resource to manage the contract effectively on behalf of taxpayers. This has and continues to include: weekly, monthly and executive review meetings with senior CGI staff regarding the overall delivery and performance against contract and the issue of legal correspondence. Without exception CGI has committed to improve their overall performance and delivery and whilst there have been some improvements, this has not been with the necessary pace or rigout that their the contract specifies or the Council requires. This situation led to a face to face meeting with the CGI Global Chief Executive Officer being convened by the Council on 8th December 2017. The Leader and Deputy Leader of the Council along with the Council's Chief Executive, Executive Director of Resources and Chief Information Officer/Head of ICT all attended this meeting. As a consequence of this executive review, the CGI Global Chief Executive Officer committed additional resources and, critically, his personal involvement, to enable service improvements to be delivered. The service improvement plan that CGI are now being required to deliver focusses in three areas: service stability, security and a deliverable change and transformation programme.

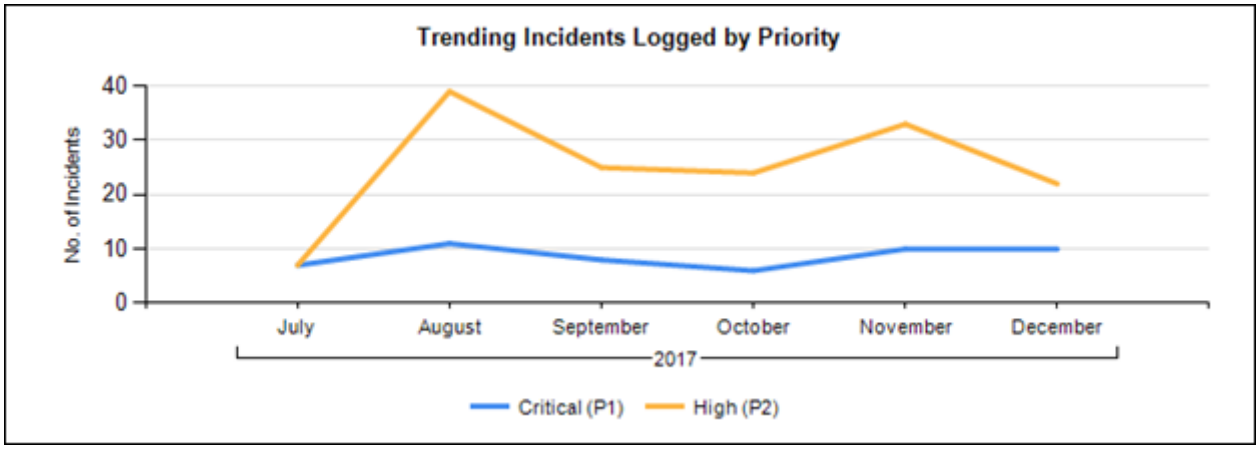
3.3 Senior CGI staff will attend the Governance, Risk and Best Value Committee meeting, including the CGI Vice President responsible for day to day contract delivery for the Council. This will provide an opportunity for direct scrutiny of the delivery of the three key improvement areas highlighted.

Service Performance

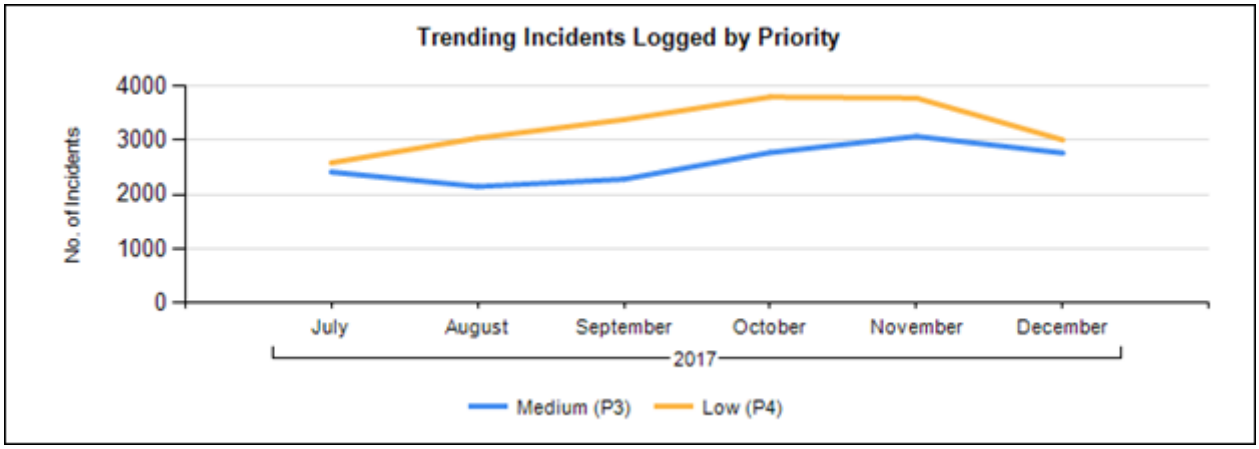
3.4 Since August there has been an increase in the number of critical incidents. These incidents have had a major impact on the council's ability to deliver services. The root cause of these incidents has been a combination of unapproved changes being implemented by CGI personnel and the acceleration of project related changes which have not been adequately managed from an interdependency mapping or testing perspective.

3.5 Service incidents are categorised into four different classes, with the most severe, classified as P1 or critical service incidents, an example of a P1 incident would be a significant network failure.

3.6 The first graph shows the trend for the most severe incidents, P1 and P2, which have occurred on a monthly basis. Whilst the volume of incidents, particularly P1s, may be considered low, the impact upon Council operations and services of a single P1 incident can be very significant.



3.7 The volume of incidents classed as P3 and P4, per month, in outlined in the following graph. Whilst the impact of these may not be as significant as a P1 or P2 incident, the cumulative impact of issues logged should also be considered as a key part of contract delivery by CGI.



Major Change Programme Performance

3.8 The current status of the key major change programmes, as assessed by the Council, is as follows:

Project	Contract RAG	RAG August GRBV	RAG Now	Target completion date	Status update
Business World				Q4 2018	This programme has been pushed back again. Likely completion date Q4 2018.
Customer Digital enablement				TBC by CGI	This programme is currently being re-planned and the focus will be on the top 20 transactions. No project plan or completion date.
Wide Area Network				Completed	Completed.
Local Area Network				03/11/17	All sites have had the network upgraded however remediation work is required as there is Wi-Fi coverage issues across a number of sites.
Voice				31/01/18	8 sites still to be completed. The contact Centre telephony is also due to migrate in January
End User Compute				30/07/18	The corporate device refresh programme is due to commence in February 2018 however no agreed dates for the Learning and Teaching upgrades.
Libraries				Completed	Phase 1 project completed.
Room Booking's				Completed	Phase 1 project completed.
Parent Pay				31/08/17	Completed.
Cashless Catering				30/09/17	Completed.

3.9 In addition to the major programmes above there is also a large volume of small and complex changes. The delivery of these other changes There has seen a significant amount of focus from CGI, particularly since the Executive Review meeting in December 2017 and the backlog of change requests in these categories has reduced from a total of 373 to 253 change requests, with the average age of requests being delivered reducing from 190 days to 90 days. Whilst such an improvement is welcome, this has been significantly supported by additional CGI resource being deployed to address the backlog and the Council implementing a short-term change freeze to reduce further requests adding to the historic backlog volumes which CGI has not closed.

Governance and Contract Management

3.10 There are various boards and governance meetings used to manage the entire ICT programme and contract as follows:

- Executive Review
- Programme and Service Review Meeting
- ICT Partnership Board
- Supplier Management Board
- Programme Boards
- Innovation Forum
- User Group

3.11 The programme and service review meeting is held on a weekly basis and at this forum the major programmes, the change projects, new proposals, security issues and service escalations are reviewed.

3.12 The role of the Governance, Risk and Best Value Committee as a key element of the Council and its external ICT partner being scrutinised is also deemed critical.

4. Measures of success

4.1 The main measure of success is to deliver the revised programme of works as per the project plan.

4.2 The outcomes are clearly defined and these will be measured as part of any sign off process i.e. Milestone acceptance certificates.

5. Financial impact

5.1 There are two key mechanisms to recover monies based on CGI's performance:

- Service Credits: Due to poor performance CGI are liable to pay service credits.
- Delay Deductions: Due to the failure to deliver the Major Programmes of work CGI are liable to pay delay deductions to the Council.

5.2 The Council has not formally applied these sanctions from a financial perspective, given that this continues to drive CGI to deliver improvements. However, the Council has taken the opportunity, where appropriate to do so, to withhold payment to CGI as a result of non-delivery.

5.3 Owing to the delays entailed and non-delivery concerned to date, the Council is currently reviewing its internal ICT service resource allocation to ensure that sufficient expertise in the key areas for improvement are available to draw upon. This potential increase in in-house resource may have financial implications, which are being quantified at present. It is intended that any such resource increase should be contained within the existing ICT service budget, where at all possible.

6. Risk, policy, compliance and governance impact

6.1 Since the contract commenced CGI have underperformed on the contractual commitments. Transformation programmes have missed the original delivery dates, and in some cases the revised delivery dates and this has meant that Council has been unable to realise the benefits and/or savings as originally envisaged.

6.2 The Council has assessed the contractual remedies available to it in respect of the non-delivery of the contact by CGI to date. Subject to the CGI improvement plan arising from the December 2017 Executive Review meeting.

6.3 The Council's Corporate Leadership Team (CLT) risk register, formally identifies the risks associated with non-delivery of the ICT Programme, ensuring that sufficient mitigations and active management of these risks continues to be undertaken.

6.4 The Council's internal audit plan for 2017/18 includes provision for an ICT contract management audit, during quarter 4 of the financial year. This audit is considered an important part of the assurance and testing of the Council's contract management arrangements for the ICT service provision and will be completed and reported to a future meeting of the Committee.

7. Equalities impact

7.1 Not applicable.

8. Sustainability impact

8.1 Not applicable.

9. Consultation and engagement

9.1 Whilst there are no formal consultation and engagement implications arising from this report, the Committee is advised that concerns have been raised by one of the Council's main recognised trade unions, UNISON. These concerns are about the impact that the continued level of service incidents and delays to change programmes are having upon the ability of their members to successfully undertake their work.

10. Background reading/external references

10.1 ICT and Digital Strategy: http://ictanddigitalstrategy.org.uk/

Stephen S. Moir

Executive Director of Resources

Bruce Strang, Chief Information Officer and Head of ICT

E-mail: bruce.strang@edinburgh.gov.uk | Tel: 0131 529 5896

11. Appendices

None.